

**ORIGINAL**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII**

**----In the Matter of----**

**PUBLIC UTILITIES COMMISSION**

**Instituting a Proceeding to  
Investigate Proposed Amendments  
To the Framework for Integrated  
Resource Planning.**

**Docket No. 2009-0108**

**PUBLIC UTILITIES  
COMMISSION**

**2009 DEC 21 A 10:23**

**FILED**

**FINAL STATEMENT OF POSITION  
AND CERTIFICATE OF SERVICE OF  
JW MARRIOTT IHI LANI RESORT & SPA,  
WAIKOLOA MARRIOTT BEACH RESORT & SPA,  
MAUI OCEAN CLUB, WAILEA MARRIOTT, AND  
ESSEX HOUSE CONDOMINIUM CORPORATION  
ON BEHALF OF KAUAI MARRIOTT RESORT & BEACH CLUB**

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Dated: December 21, 2009

## **TABLE OF CONTENTS**

|                   |                                                                                                                                                                       |           |
|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <b>I.</b>         | <b>INTRODUCTION .....</b>                                                                                                                                             | <b>2</b>  |
| <b>II.</b>        | <b>FINAL STATEMENT OF POSITION .....</b>                                                                                                                              | <b>5</b>  |
| <b>A.</b>         | <b>Response To The Issues As Set Forth By The Commission. ....</b>                                                                                                    | <b>5</b>  |
| 1.                | What Are The Objectives Of CESP And<br>How Do They Differ From The Objectives Of IRP? .....                                                                           | 5         |
| 2.                | What is the basis for each of the proposed changes<br>to the IRP process, and are these changes reasonable<br>and in the public interest? .....                       | 7         |
| 3.                | Whether the proposed changes to the IRP process<br>should include changes to reflect differences between<br>electric cooperatives and investor owned utilities? ..... | 15        |
| 4.                | What should be the role of the state's public benefits<br>fee administrator? .....                                                                                    | 16        |
| <b>B.</b>         | <b>Marriotts' Response To The April 28 CESP Proposal And<br/>The FIRP Proposal. ....</b>                                                                              | <b>16</b> |
| 1.                | Introduction .....                                                                                                                                                    | 16        |
| 2.                | Marriotts' Response to the April 28 CESP Proposal .....                                                                                                               | 17        |
| 3.                | Marriotts' Response To The FIRP Proposal .....                                                                                                                        | 17        |
| <b>C.</b>         | <b>Response To Questions In The NRRI Comments .....</b>                                                                                                               | <b>19</b> |
| <b>III.</b>       | <b>CONCLUSION .....</b>                                                                                                                                               | <b>23</b> |
| <b>APPENDIX 1</b> | <b>Marriott's Proposed Modifications To "A Proposed Framework For<br/>Clean Energy Scenario Planning"Dated: April 28, 2009</b>                                        |           |
| <b>APPENDIX 2</b> | <b>Marriott's Proposed Modifications To "A Framework For Integrated<br/>Resource Planning"</b>                                                                        |           |

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| <b>Investigate Proposed Amendments</b>  | ) |                             |
| <b>To the Framework for Integrated</b>  | ) |                             |
| <b>Resource Planning.</b>               | ) |                             |
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JW MARRIOTT IHI LANI RESORT & SPA,  
WAIKOLOA MARRIOTT BEACH RESORT & SPA,  
MAUI OCEAN CLUB, WAILEA MARRIOTT, AND  
ESSEX HOUSE CONDOMINIUM CORPORATION,  
ON BEHALF OF KAUAI MARRIOTT RESORT & BEACH CLUB**

This Final Statement of Position ("Final SOP") and the accompanying Appendices are respectfully submitted by the JW Marriott Ihilani Resort & Spa, Waikoloa Marriott Beach Resort & Spa, Maui Ocean Club, Wailea Marriott, And Essex House Condominium Corporation, on behalf of Kauai Marriott Resort & Beach Club (herein referred to jointly as the "Marriotts"), who are filing this document on a joint and several basis.

## **I. INTRODUCTION**

This investigation was instituted by the Public Utilities Commission of the State of Hawaii (“Commission”) in its “Order Initiating Investigation,” dated May 14, 2009 (“May 14 Order”). Among other things, the investigation is designed to “review and establish” a “Clean Energy Scenario Planning Framework (“CESP Framework”) that “revises the previous IRP Framework and proposes a planning process to develop generation and transmission resource plan options for multiple 20-year planning scenarios . . . [and] the development of a 5-year Action Plan based on the range of resource needs identified through the various scenarios analyzed.” The CESP Framework also includes the identification of Renewable Energy Zones, (*i.e.*, geographic areas of the islands with rich renewable energy resources) in which infrastructure improvements should be focused, as well as the identification of any geographic areas of the distribution system in which distributed generation or demand-side management resources are of higher value.

The investigation was instituted in response to a letter dated and filed on April 28, 2009, by the HECO Companies,<sup>1</sup> the Kauai Island Utility Cooperative (“KIUC”), and the Consumer Advocate, requesting that the Commission open an investigatory docket “to review and establish” a CESP Framework. The framework as proposed by these parties was included as Attachment 1 to the April 28, 2009 letter, and is hereinafter referred to as the “April 28 CESP Proposal.” According to these parties, the April 28 CESP Proposal revised the existing Framework for Integrated Resource Planning (“IRP”) as revised and dated May 22, 1992 (“1992 IRP Framework”).

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<sup>1</sup> The “HECO Companies” are the Hawaiian Electric Company, Inc., the Hawaii Electric Light Company, Inc., and the Maui Electric Company, Ltd.

On July 1, 2009, the Commission issued its “Order Granting Intervention,” which granted intervenor status to the Marriotts, as well as to the Department of Business, Economic Development, and Tourism (“DBEDT”), the County of Hawaii (“COH”), the County of Maui (“COM”), the County of Kauai (“COK”), Life of the Land (“LOL”), Haiku Design and Analysis (“HAD”), the Hawaii Renewable Resources Alliance (“HREA”), the Blue Planet Foundation (“Blue Planet”), the Hawaii Solar Energy Association (“HSEA”), and Forest City Residential, Inc., (“Forest City”). Forest City subsequently requested permission to change its status from intervenor to participant; the Commission granted this request in an order dated October 26, 2009.

The parties jointly filed a proposed stipulated procedural order for the Commission’s review and approval on September 11, 2009. On September 23, 2009, the Commission issued its “Order Approving The Stipulated Procedural Order, As Modified” (“Procedural Order”). Among other things, the Commission modified the statement of issues as proposed by the stipulating parties. The Commission stated that the stipulating parties’ issues had focused on the April 28 CESP Proposal. However, the Commission did not agree that the April 28 CESP Proposal was the appropriate starting point. Instead, the Commission held that the starting point should be the existing Commission-approved IRP Framework.

The Commission thus revised the “Statement of the Issues” to be addressed in this proceeding as follows:

1. What are the objectives of CESP and how do they differ from the objectives of IRP?
2. What is the basis for each of the proposed changes to the IRP process, and are these changes reasonable and in the public interest?

3. Whether the proposed changes to the IRP process should include changes to reflect differences between electric cooperatives and investor owned utilities?
4. What should be the role of the state's public benefits fee administrator?

Procedural Order, pp. 5-6.

There have been a number of technical conferences in this proceeding, and informal meetings of parties. In an order dated November 5, 2009, the Commission revised the then-existing procedural schedule to provide for the filing of comments by the National Regulatory Research Institute ("NRRI"). The NRRI comments were presented in a paper entitled "Clean Energy Scenario Planning: Thoughts on Creating a Framework," filed in this docket on November 3, 2009 (hereinafter referred to as the "NRRI Comments"). The parties, including the Marriotts, filed their responses to these comments on November 20, 2009.

This pleading sets forth the Final SOP of the Marriotts. As discussed in detail in their Motion to Intervene in this investigation, the Marriotts have a direct interest in this docket. Specifically, the decisions made here will directly impact each individual Marriott's rates, as well as decisions on whether to install alternative generation at their various properties throughout Hawaii, and those decisions, in turn, will impact any CESP developed as a result of this investigation. The Marriotts have actively participated in both the August 11, 2009 technical session addressing the Proposed CESP Framework, and the September 15, 2009 technical session addressing the parties' informal proposed modifications to the Framework.

## **II. FINAL STATEMENT OF POSITION**

As noted above, the Commission has stated that the appropriate starting point for this investigation is the 1992 IRP Framework. The Marriotts have reviewed the existing 1992 IRP Framework, as well as the April 28 CESP Proposal. In addition, the Marriotts have reviewed a proposal that has been developed by a number of parties to this proceeding, entitled “A Framework For Integrated Resource Planning” (“FIRP Proposal”). The version of the FIRP Proposal included in Appendix 2 to this pleading (with modifications proposed by the Marriotts) is the version attached to the “Final Statement Of Position Of The Counties Of Hawaii, Kauai, and Maui,” dated December 18, 2009. The Marriotts participated in some of the meetings and discussions in which the FIRP Proposal was developed.

### **A. Response To The Issues As Set Forth By The Commission.**

#### **1. What Are The Objectives Of CESP And How Do They Differ From The Objectives Of IRP?**

In the Marriott’s view, the differences in the objectives of the CESP as compared to the IRP are differences of scope and degree rather than wholesale changes. The goal of the IRP was succinctly stated in Section II.A. of the 1992 IRP Framework:

The goal of integrated resource planning is the identification of the resources or the mix of resources for meeting near and long term consumer energy needs in an efficient and reliable manner at the lowest reasonable cost.

CESP does not require rejection of these goals, but takes them a step further. Rather than focusing on a single mix of resources to meet energy needs efficiently and reliably at the lowest reasonable cost, CESP is designed to look at a variety of “mixes” by considering various assumptions and uncertainties, and to provide a solution that best addresses each of these various mixes, even if it is not the optimal solution for each specific mix. Moreover, since the adoption

of the 1992 IRP Framework, the state has implemented a number of goals designed to decrease energy demand, and to encourage the installation and operation of distributed generation (“DG”) and renewable energy forms that provide benefits to the utility system and the utility’s customers while reducing dependence on foreign oil. Any CESP developed here must obviously take these various mandates into account.

This analysis is similar to that set forth in Section I of the NRRI Comments. According to NRRI, one basic difference between a CESP and an IRP is that the IRP produces a single least-cost solution for a defined need. NRRI Comments, p. 2. In contrast, scenario planning looks at uncertainties that can lead to widely different futures, and then seeks solutions that work well under all those different futures, even if the solution is not optimal for any particular scenario. *Id.*, at p. 3. The key to NRRI’s discussion of scenario planning is that it addresses uncertainties rather than the “most likely” futures, “with the goal of accomodating multiple results and avoiding disastrous results.” *Id.* at p. 4. NRRI further cautions that scenario planners must focus on those uncertainties which are outside their control, and that uncertainties are distinguishable from trends and expected events. *Id.*, at p. 5.

As discussed in their response to the NRRI Comments, the Marriotts agree that there is merit in defining scenario planning as described in the NRRI Comments. However, the Marriotts disagree with NRRI’s statement that “[w]hile there is certainly a role for integrated resource planning, and while the parties’ attempt to edit the 1992 Framework to connect it better to 2010 priorities certainly has merit, that attempt by itself will not prepare Hawaii for the range of uncertainties ahead.” NRRI Comments, p. 1. The Marriotts submit that the concepts articulated by NRRI and the goals to be achieved by CESP can be effectively melded into a



document derived by editing the 1992 IRP framework. Both the April 28 CESP Proposal and the FIRP Proposal have taken this approach, and have done so effectively, as discussed below.

Section II.B. of the April 28 CESP Proposal lists a number of governing principles/statements of policy which are consistent with the above discussion and which can be adopted here. For example, Section II.B. states that “[t]he clean energy scenario planning process shall be focused on planning scenario analyses that provide flexibility *across a wide range of potential futures and uncertainties* for achieving Hawaii’s clean energy future based on the HCEI Energy Agreement” (citing HCEI Energy Agreement Initiatives 32 and 33). This goal is entirely consistent with the understanding of the scenario planning process as discussed herein and in the NRRI Comments.

Likewise, the FIRP Proposal states in Section II.A:

The goal of integrated resource planning is to employ a comprehensive and flexible planning process to develop and implement integrated resource plans which shall govern utility acquisition and utilization of all capital projects, purchased power, and demand-side management toward achieving and exceeding Clean Energy Objectives (“CE Objectives”) in an efficient, economical, and prudent manner that promotes Hawai‘i as a leader in the adoption and use of clean energy and facilitates Hawai‘i’s swift transition to a clean energy future.

The Marriotts submit that not only is it possible to produce a CESP by incorporating or revising elements of the existing IRP, it is desirable in that much of the process set forth in the IRP can be utilized and modified to accomplish the goals of CESP.

**2. What is the basis for each of the proposed changes to the IRP process, and are these changes reasonable and in the public interest?**

Regardless of the starting point for developing a CESP – the 1992 IRP Framework, the April 28 CESP Proposal, or the FIRP Proposal – the Marriotts respectfully submit that the

following proposals should be adopted as both reasonable and in the public interest. In later sections of this pleading, the Marriotts will comment upon the extent to which the April 28 CESP Proposal and the FIRP Proposal have addressed their proposals as set forth here.

First, the Marriotts strongly support adding a provision that requires the encouragement and facilitation of increased use of distributed generation (“DG”) and, more specifically, combined heat and power (“CHP”) facilities. As a general principle, any CESP should embrace rates, rate designs, and cost allocations that encourage – or, at least, do not discourage – the installation and operation of DG/CHP and other renewable energy forms that provide benefits to the utility system and the utility’s customers. DG/CHP is a proven technology that reduces both peak demand on a utility’s system, as well as the number of kwhs that must be generated and sold to the DG/CHP operator, thereby leaving both the capacity and generation to serve other needs (such as growth on the system). Clearly, encouraging the installation and operation of DG/CHP is in the public interest.

Specifically, the following language, or an appropriate variant of it, should be included in any CESP or similar program adopted in this docket:

The CESP scenarios and CESP Action Plans shall encourage, to the maximum extent possible, the increased use of distributed generation, and combined heat and power (“CHP”) projects in particular, in meeting future energy needs.

Second, rates and rate design issues are extremely important to the Marriotts in two respects: (a) how CESP related costs incurred by a utility will be recovered from ratepayers, and (b) how rates and rate designs associated with DG/CHP and renewable energy will be structured.

With respect to recovery of CESP and CESP-related costs, the Marriotts do *not* support blanket statements (such as that included in Section III.F.1 of the April 28 CESP Proposal), that utilities are *entitled* to recover the costs associated with clean energy scenario planning and

implementation, including the costs of planning and implementing pilot and full-scale utility demand-side management programs. Instead, the Marriotts support language that is consistent with long-standing regulatory principles governing cost recovery. Simply stated, costs associated with CESP and CESP-related programs and filings may only be recovered from ratepayers if they were reasonably and prudently incurred. This longstanding regulatory principle is part and parcel of protecting the public interest.

Moreover, a CESP should clearly state that any such costs may be recovered only to the extent allowed by, and in the manner specified by, the Commission after notice and a hearing. This could occur either in a specific CESP or CESP-related docket, or in a rate case. In addition, the Marriotts submit that it is important to retain a degree of flexibility in how such costs may ultimately be recovered from ratepayers (assuming that recovery is authorized by the Commission). These requirements will protect the public interest by ensuring that rates that include such costs are just and reasonable.

Specifically, the following language, or an appropriate variant of it, should be included in any CESP or similar program adopted in this docket:

Recovery of any CESP or CESP-related costs shall be as authorized by the Public Utilities Commission of the State of Hawaii after an appropriate filing and hearing, and upon a finding that such costs were reasonably and prudently incurred. The Commission shall determine the appropriate mechanism for the recovery of any reasonably and prudently incurred costs after an appropriate filing and hearing.

As to the rates and rate designs applicable to DG/CHP and other forms of efficient and/or renewable energy, they should encourage – or, at least, not discourage – the implementation of these types of projects. Onerous and unjustified standby, backup, and similar charges serve only to discourage the undertaking of such projects.

Moreover, rates and rate designs for standby, backup, and similar services should account for the offsetting benefits of the particular projects. For example, with respect to DG/CHP, any standby rate or rate design should consider not only the costs of providing the service, but also the benefits that inure to the utility system (as well as to present and future customers) from the installation and operation of DG/CHP. Such benefits include, but are not limited to, benefits such as whether a utility is able to defer construction of additional generation or transmission facilities if DG/CHP is implemented. By adopting rate designs that encourage (or, at least, that do not discourage) the implementation of DG/CHP and renewable energy projects, the public interest is served by encouraging the adoption of these clean and efficient technologies.

Specifically, the following language, or an appropriate variant of it, should be included in any CESP or similar program adopted in this docket:

Rate designs for DG/CHP and renewable energy projects shall, to the extent possible, encourage the implementation of these projects, taking into account both the costs and benefits of such projects to a utility's system.

Third, and related, there is an important issue concerning how input to the CESP and related proposals and projects would be obtained from private, non-regulated entities, such as the Marriotts. The CESP should make clear that no customer or third party shall be required to disclose confidential information during the collection of data for the CESP or CESP-related proposals or programs by the utility.

Specifically, the following language, or an appropriate variant of it, should be included in any CESP or similar program adopted in this docket:

Nothing herein shall be construed as permitting a utility to obtain confidential information from an entity or to disclose confidential information provided to it by an entity unless the utility has first obtained written permission from an authorized representative of that entity.

Fourth, any CESP must make clear that pilot programs contemplated by the CESP are subject to existing Commission orders and regulations. For example, it appears that the April 28 CESP Proposal contemplates that a utility may engage in DG/CHP through pilot programs. The Commission imposed specific limitations on such participation by utilities in Order No. 22248, Docket No. 2003-0371:

With respect to customer-sited distributed generation projects, utilities are allowed to participate in the distributed generation market only as either: (1) an affiliate; or (2) as a regulated utility, upon a showing that: (a) the proposed distributed generation project would resolve a legitimate system need, (b) it is the least cost alternative to meet that need, and (c) in an open and competitive process acceptable to the commission, the customer-generator was unable to find another entity ready and able to supply the proposed distributed generation service at a price and quality comparable to the utility's offering, as described in greater detail above.

Likewise, any pilot project encouraged or mandated by a CESP must be subject to exactly the same rates, tariff conditions, and interconnection/technical requirements as a project proposed by a utility customer and/or third party. Any CESP should make clear that existing Commission orders and regulations continue to apply to any and all proposals under the CESP or in a CESP-related proceeding, whether such proposal is made by a utility or some other entity, as these orders and regulations have already been found to be in the public interest.

Specifically, the following language, or an appropriate variant of it, should be included in any CESP or similar program adopted in this docket:

Any pilot program or other CESP project to be undertaken by a utility shall be subject to the same applicable rules, regulations, orders and tariffs as projects undertaken by customers and third parties.

Fifth, and related, proposed projects that do not fall within a defined “Locational Value Map” or “Renewable Energy Zone” should not be treated any differently than projects that do fall within such areas or zones. Stated differently, projects within a defined Locational Value Map or Renewable Energy Zones are not entitled to a preference in terms of rates, conditions, or processing over similar projects that are not located within such zones, just as utility projects are not entitled to such preferences.

Specifically, the following language, or an appropriate variant of it, should be included in any CESP or similar program adopted in this docket:

Proposed distributed resource and energy efficiency projects that are not within a “Locational Value Map” or “Renewable Energy Zone” shall not be evaluated differently or subject to any different standards than projects that fall within those areas, and projects that fall within those areas are not entitled to preference over projects that do not fall within those areas.

Sixth, the Marriotts respectfully submit that the utility, through its website, should serve as a directory for all CESP and CESP-related programs and dockets. As further discussed below, this does not mean that every document in a given proceeding need be posted on a utility’s website. Rather, the intent is to provide one location for each utility where an entity can find a list of all open dockets for the particular utility that pertain to CESP and CESP-related matters, and can find and download any new filings by the utility that have not yet been docketed by the Commission with respect to same. The latter requirement will permit the entity to determine whether that entity’s interests are impacted by the new filing, and, if so, permit that entity to file a timely motion to intervene or participate in a particular docket.

This proposal is *not* intended to require a utility to duplicate the Commission’s online Document Management System. The Document Management System is a valuable tool that permits entities to keep up-to-date on the various filings and orders in the Commission’s dockets,

once they are aware that such dockets exist. The Marriotts are not suggesting that each of the utilities here replicate that system. Instead, the Marriotts are proposing that each utility post open docket numbers and new filings pertaining to the utility that address the CESP or CESP-related matters on its website.

By listing the docket numbers of all CESP and CESP-related filings, entities would be able to quickly identify particular filings of interest to them, and could then obtain additional information through the Commission's Document Management System. By requiring the utilities to post their initial filings on the day those filings are made, entities would be provided with a needed "heads up" that a new filing concerning a particular issue has been made, which would facilitate a timely response on their part. Entities could choose to actively participate in such proceedings or could follow the progress of dockets in which they choose not to actively participate. The utility website could also include studies, analyses, etc., that pertain to the CESP.

Specifically, the following language, or an appropriate variant of it, should be included in any CESP or similar program adopted in this docket:

The utility shall post on its website a list of dockets that pertain to the CESP, any new CESP or CESP-related filings on the same date that the filings are made with the Commission, and copies of any CESP or CESP-related analyses performed by the utility.

Seventh, in order to garner input from entities that may have an interest in, or be affected by, proposed CESP or CESP-related filings, advisory committees should be formed to address CESP matters. These committees should be "constructed" so as to include the input of as many interested and/or impacted entities as possible. Many diverse interests have a stake in the CESP and related dockets, and the CESP should recognize this fact and facilitate the participation of those diverse interests in the advisory groups.

The Marriotts submit that, at a minimum, in addition to the Consumer Advocate and the Public Benefits Administrator, said advisory committees should include at least one representative of each customer class/rate schedule, representatives of community and conservation organizations, representatives of county and state offices and organizations, and representatives of third parties that supply renewable and DG/CHP equipment. The Marriotts further submit that inclusion of these parties in an advisory group should be mandatory (unless there is simply no entity willing to represent a particular interest).

Specifically, the following language, or an appropriate variant of it, should be included in any CESP or similar program adopted in this docket:

The advisory committees shall include representatives from each of the customer classes of the utility, county and state agencies, conservation groups, commercial entities that provide equipment, and any other entities with a legitimate interest in the proceedings. Any entity desiring to participate in an advisory committee shall notify the utility in writing and shall be included as a member of the advisory committee. In the event that more than one entity representing the same or a substantially similar interest becomes a member of an advisory committee, one such advisory committee member shall be selected by the other members to participate on behalf of that interest.

Moreover, any CESP should include a specific selection or other process for forming advisory committees or designating the members of such committees. Consistent with the principle that such committees should include a broad and diverse range of interests, the Marriotts respectfully submit that, initially, any entity that desires to participate in the CESP process as an advisory committee member should be automatically granted the right to participate. If more than one entity representing a particular interest with respect to a particular utility requests to be a member of an advisory committee, those entities should select one entity to be their designated representative on a particular committee. The representative so chosen



would have the task of receiving input from each of the other entities, and representing their joint interests in advisory group meetings.

Specifically, the following language, or an appropriate variant of it, should be included in any CESP or similar program adopted in this docket:

The utility shall have the initial responsibility to form the advisory committee. Any entity with a legitimate interest in the proceeding that desires to participate in the CESP process as an advisory committee member shall be automatically granted the right to participate in the advisory committee. If more than one entity representing a particular interest with respect to a particular utility become members of an advisory committee, those entities shall select one entity to be their designated representative. The designated representative shall represent the joint interests in any advisory group meetings.

These suggestions are designed to ensure maximum participation in the CESP by all entities that have a stake in the outcome, and are thus consistent with the public interest.

Eighth, the Marriotts respectfully submit that the CESP should not modify any procedural deadlines currently reflected in the Commission's rules. The Marriotts submit that such proposals may be confusing and may lead to inadvertently "missed" deadlines, a result that would clearly not be in the public interest.

3. **Whether the proposed changes to the IRP process should include changes to reflect differences between electric cooperatives and investor owned utilities?**

The Marriotts submit that CESP requirements should apply to all major electric utilities regulated by the Commission, including the Kauai Island Utility Cooperative ("KIUC"). While a cooperative's structure is different from that of investor-owned utilities, that alone is not a sufficient reason to exempt a cooperative from the CESP Requirements. Whether investor- or member- owned, an electric utility should be required to comply with the fundamental CESP

requirements because the goals of the CESP – among them, balancing how a utility will meet clean energy objectives and customers’ expected energy needs, consistent with protecting system reliability at reasonable costs – are applicable to all utilities.

Should a cooperative believe that there are *specific* principles or requirements that should not be applied to it, the cooperative may seek a waiver from the Commission for that specific principle or requirement. However, the default position should be that cooperatives are subject to the CESP requirements, and that any deviation from those requirements should be specific, limited, and supported by the cooperative.

**4. What should be the role of the state’s public benefits fee administrator?**

The Marriotts take no position on this issue.

**B. Marriotts’ Response To The April 28 CESP Proposal And The FIRP Proposal.**

**1. Introduction.**

The Marriotts have reviewed two proposals that modify the 1992 IRP Framework in response to the Commission’s order: the April 28 CESP Proposal and the FIRP Proposal. At the outset, the Marriotts observe that the FIRP Proposal is more detailed than the April 28 CESP Proposal in terms of how the planning process is to be conducted. However, the Marriotts submit that the two proposals have a great deal in common. The Marriotts respectfully suggest that the parties meet prior to the panel hearing in this docket to determine whether they can successfully meld the two proposals together into one that has the support of all parties.

**2. Marriotts' Response to the April 28 CESP Proposal.**

Appendix 1 to this pleading sets forth the Marriotts' specific modifications to the April 28 CESP Proposal to implement the eight proposals discussed in detail above (to the extent that they are not already included). The Marriotts have also proposed the following additional modifications to that framework:

- a. The Marriotts have eliminated references to the October, 2008 Energy Agreement Among The State Of Hawaii, Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, and the Hawaiian Electric Companies. Many of the entities participating in this proceeding are not signatories to that Agreement. The Marriotts have eliminated other unnecessary references as well.
- b. The Marriotts have include a more detailed definition of "Locational Value Maps" in Section III.D.1.a.(ii).
- c. The Marriotts have eliminated in its entirety Section III.F.2 as unnecessary.

With the modifications proposed by the Marriotts, the Marriotts can support the April 28 CESP Proposal as a reasonable and viable successor to the IRP Framework.

**3. Marriotts' Response To The FIRP Proposal.**

Appendix 2 to this pleading sets forth the Marriotts' specific modifications to the FIRP Proposal to implement the eight proposals discussed in detail above (to the extent that they are not already included). The Marriotts have also proposed the following additional modifications to that framework:

- a. The Marriotts have eliminated a number of definitions in the FIRP Proposal. In the Marriotts' view, many of these definitions are unnecessary. For example, the Marriotts believe it is better to leave the definition of various costs and benefits to the specific dockets addressing an FIRP or CESP. In that fashion, the costs can be addressed within the framework of the specific issue being addressed.
- b. The Marriotts note that the FIRP Proposal has eliminated references to Locational Value Maps and Renewable Energy Zones. While not specifically referenced, it is clear that such concepts can be included in the process contemplated by the FIRP Proposal. Should the Commission so desire, these concepts as defined and modified in the April 28 CESP Proposal could be included in the FIRP Proposal as well.
- c. The Marriotts have eliminated the proposal for technical advisory groups as unnecessary; the Marriotts submit that the advisory groups can perform these tasks as necessary, or designate a subgroup of members to do so.
- d. The Marriotts have added language to clarify what is required to receive intervenor or participant funding, and how such costs are to be recovered.
- e. The Marriotts have removed the requirement for an independent facilitator for the advisory groups. The Marriotts do not oppose this proposal in concept, but submit that a number of serious issues concerning selection of the facilitator, costs, and recovery of costs must be addressed "up front" if the concept is to be adopted.

- f. The Marriotts are somewhat confused by the relationship between the four steps set forth in Section III.A. and the four components in Section III.B.

There does appear to be some overlap between the two Sections.

**C. Response To Questions In The NRRI Comments.**

Appendix B to the NRRI Comments poses a number of questions that NRRI suggests that the parties address in their Final SOPs. The Marriotts' responses to these questions are framed in the context that a framework similar to the April 28 CESP Proposal or the FIRP Proposal is ultimately adopted in this docket.

**1. Does the proposed framework provide a reasonable process for defining the question(s) that the CESP must answer?**

Yes. With the modifications proposed by the Marriotts, the April 28 CESP Proposal and the FIRP Proposal are viable successors to the 1992 IRP Framework. As noted in the Marriotts' response to the NRRI Comments, while an understanding of the difference between an IRP and a CESP is important, the process and procedures used to address IRP issues can also be used to address CESP issues, albeit with some modification. There is no need to "recreate the wheel" with respect to defining the process to achieve the appropriate answer to the questions raised during the CESP. Both the April 28 CESP Proposal and the FIRP Proposal built upon the 1992 IRP Framework; the Marriotts believe that this is appropriate.

**2. Does the proposed framework enable the Commission to meet its statutory requirements regarding the review and establishment of RPS and EEPs targets?**

Yes. Both the April 28 CESP Proposal and the FIRP Proposal will enable the Commission to address those requirements.

3. **Does the proposed framework provide a reasonable process for defining a starting point for scenario planning?**

Yes. Section II of the NRRI Comments addresses the main steps to be undertaken by the parties in applying a CESP Framework. NRRI identifies five main steps: (1) define the question to be addressed by the decisionmakers (presumably, the Commission); (2) define the starting point for developing alternative scenarios; (3) explore the unexpected, identify key drivers, and develop scenarios; (4) assess potential actions and make decision; and (5) monitor conditions. NRRI Comments, pp. 7-9.

In the Marriott's view, NRRI's steps 1 and 2 concern the process of defining a starting point. Step 1 is directly addressed in Sections II.A and II.B of the April 28 CESP Proposal and the FIRP Proposal (with the modifications proposed by the Marriotts) and they adequately set forth the policies and goals of CESP, which obviously serve as the starting point for CESP. To the extent more focused questions are desirable, they would be developed in the steps to be taken during the planning context as set forth in Section III of each Proposal.

As to Step 2, the NRRI Comments note that "[t]he collection of clean energy goals set forth in the Hawaii statutes and orders can contribute to defining that starting point," and set forth a number of those goals in Appendix A. NRRI Comments, p. 8. NRRI further observes that load forecasts, current cost recovery processes, current rate designs, locational value maps, and renewable energy zone studies can also be part of the starting point. *Id.* These state energy mandates are also part of the "starting point" for CESP as they obviously must be addressed within the timeframe specified. Obviously, the Commission and the parties cannot ignore these existing mandates in the CESP process.

4. **Does the proposed framework provide a reasonable process for discovering a plausible range of uncertainties and trends?**

Yes. As set forth above, NRRI's Step 3 envisions that the parties to the process will explore the unexpected, identify key drivers (which are not predetermined trends) and develop the actual scenarios. In the Marriotts' view, both the April 28 CESP Proposal and the FIRP Proposal provide the *process* that will be utilized to accomplish these tasks. For example, Sections III and IV of the April 28 CESP Proposal include, among other things, directives for each utility to develop a number of planning scenarios and a CESP Action Plan to implement these scenarios. These Sections also address NRRI's Steps 4 and 5, which state that these scenarios should be assessed and decisions made, and that conditions should be monitored. The Marriotts reiterate that while it is important to explore the unexpected, it is also important to ensure that the statutory mandates are met.

5. **Does the proposed framework differentiate between uncertainties and predetermined trends?**

The Marriotts submit that the April 28 CESP Proposal and the FIRP Proposal provide the process for making this differentiation. The Marriotts do not believe that this differentiation can be made in the abstract, rather, it will be made as the utilities and the parties begin the CESP process.

6. **Does the proposed framework provide a reasonable process for identifying the drivers of uncertainty that make a difference?**

Yes, for the reasons set forth above.

7. **Does the proposed framework provide a reasonable process for defining a reasonable number of scenarios that define a plausible range of different futures for planning decisions?**

Yes, for the reasons set forth above.

8. **Does the proposed framework enable the Commission to make timely and informed decisions about the budget for the Public Benefits Fee Administrator?**

The Marriott takes no position on this issue.

9. **Does the proposed framework provide a reasonable process for assessing actions and making decisions?**

Yes, for the reasons set forth above.

10. **Does the proposed framework provide a reasonable process for ongoing monitoring and adjustments to approved plans?**

Yes, for the reasons set forth above.

11. **Does the proposed framework create an efficient, transparent process that involves all relevant decisionmaking entities?**

Yes.

12. **Does the proposed timeline provide adequate time for the participants to address effectively each step of the framework?**

Yes, for the reasons set forth above.

13. **Does the proposed frequency of scenario-planning cycles allow the Commission to meet its related statutory responsibilities efficiently?**

Yes, for all of the reasons set forth above.



### **III. CONCLUSION**

For all of the reasons set forth herein, the Marriotts, jointly and severally, request that the Commission modify the existing 1992 IRP Framework by adopting the eight proposals set forth above in any CESP or similar program resulting from this docket.

Respectfully Submitted,

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MAUI OCEAN CLUB, WAILEA MARRIOTT, AND  
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ON BEHALF OF  
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Dated: December 21, 2009

## **APPENDIX 1**

### **Marriott's Proposed Modifications To "A Proposed Framework For Clean Energy Scenario Planning" Dated: April 28, 2009**

**Proposed Additions Are Indicated By Underlining**

**Proposed ~~Deletions~~ Are Indicated By Strikeout**

**December 21, 2009**

**Proposed Modifications Of The Marriotts**  
**Dated: December 21, 2009**

A PROPOSED FRAMEWORK FOR CLEAN ENERGY SCENARIO PLANNING

April 28, 2009

Hawaiian Electric Company, Inc.  
Hawaii Electric Light Company, Inc.  
Maui Electric Company, Ltd.  
Division of Consumer Advocacy, Department of Commerce and Consumer Affairs  
Kauai Island Utility Cooperative

A PROPOSED FRAMEWORK FOR CLEAN ENERGY SCENARIO PLANNING  
April 28, 2009

I. Definitions

Unless otherwise clear from the context, as used in this framework:

“Action Plan” means a program implementation schedule representing a strategy or timetable based on the scenarios analyzed for achieving the utility’s clean energy objectives over the first five-year period of the 20-year planning horizon. The five-year period of the Action Plan is updated with the utility’s evaluation report by dropping the preceding year from the schedule and including a new year.

“CHP” means a combined heat and power system which is an electricity generating system whose waste heat is captured and used for heating and/or cooling applications.

“Clean energy” means electrical energy generated using renewable energy as a source or as electrical energy savings brought about by the use of renewable displacement or off-set technologies or energy efficiency technologies as defined as “renewable electrical energy” in HRS ch. 269, part V, section 269-91.

“Clean Energy Investment Zones” means areas shown on the Locational Value Map where there is a high value to incremental investment in distributed generation, demand response, energy efficiency, or CHP.

“Clean energy objectives” means moving Hawaii towards achieving a sustainable, clean, flexible, and economically vibrant energy future.

“Clean Energy Scenario Planning” or “CESP” means the process governed by this framework which is a mandatory guide for the utilities.

“Demand-side management” or “DSM” means programs designed to influence utility customer uses of energy to produce desired changes in demand. It includes conservation, energy efficiency, demand response, and renewable substitution.

“Distributed Generation” or “DG” means ~~small-scale~~ electric generating technologies installed at, or in close proximity to, the end-user’s location, including, but not limited to, combined heat and power (“CHP”) facilities. ~~[From D&O 22248 background.]~~ Marriotts Comment: The term “small scale” should be defined or eliminated.

~~“Energy Agreement” means the October 2008 Energy Agreement Among the State of Hawaii, Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, and the Hawaiian Electric Companies.~~

"Feed-in-Tariff" or "FIT" means a set of standardized, published purchased power rates, including terms and conditions, which the utility will pay for each type of renewable energy resource based on project size fed to the grid. ~~[From Energy Agreement summary page 3 which is referenced in the Commission's order opening Docket No. 2008-0273.]~~

"Hawaii Revised Statutes" or "HRS" means current laws governing the State of Hawaii.

~~"Hawaii Clean Energy Initiative" or "HCEI" means the Memorandum of Understanding between the Governor of the State of Hawaii and the U.S. Department of Energy signed in January 2008, having the goal to decrease energy demand and accelerate use of renewable, indigenous energy resources in Hawaii in residential, building, industrial, utility, and transportation end-use sectors, so that efficiency and renewable energy resources will be sufficient to meet 70% of Hawaii's energy demand by 2030.~~

"Locational Value Map" or "LVM" means geographic areas of distribution system growth within the next 3-5 years where distributed resources and energy efficiency could be beneficial within the existing transmission and distribution system limits. However, proposed distributed resource and energy efficiency projects that are not within any geographic area so identified shall not be evaluated differently or subject to any different standards than such projects within those areas.

"Net Energy Metering" or "NEM" means measuring the difference between the electricity supplied through the electric grid and the electricity generated by an eligible customer-generator and fed back to the electric grid over a monthly billing period as defined in HRS ch. 269, part VI, section 269-101.

"Program" means resources and/or activities in the CESP scenarios and/or CESP Action Plan.

"Public Benefit Fee Administrator" or "PBF Administrator" means the third-party administrator of energy efficiency demand-side management programs as defined in HRS ch. 269, part VII, section 269-122.

~~"Renewable Energy Infrastructure Program" or "REIP" means a mechanism approved by the Public Utilities Commission of the State of Hawaii designed to timely recover costs incurred by the electric utility for the development of and investment in renewable energy infrastructure projects in order to facilitate third-party development of renewable energy resources and maintain current renewable energy resources. The REIP includes the Clean Energy Infrastructure Surcharge included in the Energy Agreement. Marriotts Comment: The Marriotts observe that there is only one other brief reference to REIP in the CESP and thus have eliminated this definition.~~

"Renewable Energy Zones" or "REZ" means identification of areas that contain significant renewable energy potential. However, proposed renewable energy projects that are not within any geographic area so identified shall not be evaluated differently or subject to any different standards than such projects within those areas.

“Renewable Portfolio Standards” or “RPS” means the current law governing the State of Hawaii as defined in HRS ch. 269, part V.

“Request for Proposal” or “RFP” means a written request for proposal issued by the electric utility to solicit bids from interested third-parties, and where applicable from the utility or its affiliate, to supply ~~a future generation resource of a block of generation resources or services~~ to the utility pursuant to the competitive bidding process. ~~[Framework for Competitive Bidding DEFINITIONS]~~

~~“Scenarios” means a range of possible futures reflecting possible energy-related policy choices and risks facing the utility and its customers.~~

“Scenario” means a range of possible futures reflecting possible energy resources, including, but not limited to, energy efficiency programs, renewable energy resources mix, delivery infrastructure requirements, energy-related policy choices, and risks facing a utility and its customers. Scenarios would be explicitly identified in the planning process in order to (a) provide an appropriate breadth to the scope of plausible analysis assumptions utilizing stakeholder participation, (b) frame meaningful planning objectives and measures of attainment and (c) test the “robustness” of candidate strategies with respect to a range of possible future circumstances. Scenarios could be formulated based on possible circumstances including those that are outside the control of the utilities and Commission and those that based on major “game changing” resource strategies (such as an inter-island cable system).

“Supply-side programs” means programs designed to supply power either to the utility grid or to a particular customer or entity, including, but not limited to, ~~It includes~~ renewable energy, DG/CHP, and independent power producers

“Total resource cost” means the total cost composed of the utility costs and the costs by participants in the demand-side management programs. ~~Offsetting benefits must be quantified and accounted for as a credit against total costs.~~

~~“Utility costs” means the costs to the utility (including ratepayers), excluding costs incurred by participants in a demand-side management program.~~

## II. Introduction

### A. Goal of Clean Energy Scenario Planning

The goal of Clean Energy Scenario Planning (“CESP”) is to develop CESP scenarios that will provide high level guidance on a long term (10-20 years) direction, which will then be utilized to develop a CESP Action Plan for near term initiatives (5 years), balancing how the utility will meet clean energy objectives, customers’ expected energy needs, and protecting system reliability at reasonable costs under various scenarios. ~~[Energy Agreement Initiative No. 32, first bullet on page 36]~~

### B. Governing Principles (Statements of Policy)

1. The development of the CESP scenarios and the CESP Action Plan are the responsibility of each utility.
2. CESP scenarios and the CESP Action Plan shall comport with state and county environmental, health, and safety laws and any applicable rules, regulations and/or orders, and formally adopted state and county plans.
3. CESP scenarios and the CESP Action Plan shall be developed upon consideration and analyses of the costs, effectiveness, and benefits, and risks of appropriate, available, and feasible supply-side and demand-side options as guidance for Hawaii's clean energy future based on the HCEI Energy Agreement.
4. CESP scenarios and the CESP Action Plan shall give consideration to the plans' impacts upon the utility's consumers, the environment, culture, community lifestyles, the State's economy, and society.
5. CESP scenarios and the CESP Action Plan shall take into consideration the need to preserve a stable electric grid and financially sound electric utility as vital components of our renewable energy future. ~~{Energy Agreement, sixth paragraph, page 1}~~
6. Clean energy scenario planning shall be an open public process. Opportunities shall be provided for participation by the public and governmental agencies in the development and in Commission review of the CESP scenarios and CESP Action Plan.
7. The utility is entitled to recover all appropriate and reasonable clean energy scenario planning and implementation costs as determined by the Public Utilities Commission of the State of Hawaii after an appropriate filing and hearing procedures.
8. The clean energy scenario planning process shall be focused on planning scenario analyses that provides flexibility across a wide range of potential futures and uncertainties for achieving Hawaii's clean energy future based on the HCEI Energy Agreement. ~~{Energy Agreement Initiative 33, subpart 1, page 40}~~
- ~~8.9.~~ The CESP scenarios and CESP Action Plans shall encourage, to the maximum extent possible, the increased use of distributed generation, and combined heat and power ("CHP") projects in particular, in meeting future energy needs.

#### C. Utility's Responsibility

1. Each utility is responsible for developing a reasonable number of CESP scenarios for meeting the energy needs of its customers to reflect a range of possible energy-related policy choices and risks facing the State, its utilities, and citizens. ~~{Energy Agreement Initiative No. 33, subpart a, page 38}~~ The CESP scenarios will be

evaluated to help formulate the CESP Action Plan, covering a 5-year implementation period.

2. The utility shall prepare and submit to the Commission for Commission approval at the time or times specified in this framework the utility's CESP Action Plan. The utility shall post on its website, on the same date as such submission is filed with the Commission, a copy of its CESP Action Plan in downloadable, PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the submission by the Commission.
3. The utility shall execute the Commission approved CESP Action Plan in accordance with the CESP Framework. As part of this execution, the utility shall file for Commission review and approval individual applications for programs or elements of the CESP Action Plan that requires specific Commission approval.
4. In its development of the CESP scenarios and CESP Action Plan, the utility shall comply with State initiatives and Commission proceedings that consider such issues, but not limited to: 1) Competitive Bidding for future generation; 2) State Renewable Energy Portfolio Standards; 3) Energy Efficiency; 4) Renewable Energy Infrastructure Programs; 5) Distributed Generation, including Combined Heat and Power ("CHP"); 6) Net Energy Metering; 7) Feed-in Tariffs; 8) Advanced Metering Infrastructure ("AMI"); 9) Energy Efficiency Portfolio Standards ("EEPS"); and 10) Greenhouse Gas "(GHG)" initiatives.

#### D. Commission's Responsibility

1. The Commission's responsibility, in general, is to determine whether the utility's CESP scenarios and CESP Action Plan represents a reasonable course for meeting the energy needs of the utility's customers, is in the public interest, is consistent with this Clean Energy Scenario Planning Framework, and provides strategic guidance for future utility planning to achieve Hawaii's clean energy future based on the HCEI Energy Agreement.
2. The Commission will review and approve in whole or in part the utility's CESP as a reasonable course for meeting the energy needs of the utility's customers, will determine whether the utility's CESP is in the public interest, and is consistent with this Clean Energy Scenario Planning Framework. The Commission will review the utility's CESP and issue an order approving or denying the CESP Action Plan within six (6) months of the filing. If the Commission does not issue a decision within the six month period, the CESP Action Plan is automatically deemed "approved". ~~[Energy Agreement Initiative No. 33, subpart p, page 41.]~~ Approval should elevate the status of the preferred resources identified in the CESP Action Plan, including DSM programs administered by the Public Benefit Fee Administrator, third-party Independent Power Producer ("IPP") projects, and utility resources, to give them a presumption of need in any subsequent siting proceeding. ~~[Energy Agreement Initiative No. 33, subpart o, page 41]~~ If the Commission rejects all or parts of the



CESP filed, there should be an explanation for non-approval and the implications of that non-approval on the utility's asset investment and strategic choices for the upcoming three-year period. ~~[Energy Agreement Initiative No. 33, subpart p, page 41.]~~

3. The Commission acknowledges that the purpose of the CESP is to provide strategic guidance for future utility planning to achieve Hawaii's clean energy future, and that its review and any approval given to the CESP will apply only to high level planning issues. Thus, the utility will file for Commission review and approval individual applications for programs or elements of the CESP Action Plan that requires specific Commission approval. The utility may file such applications before the Commission issues a final decision approving the CESP Action Plan and the Commission may review these individual applications for programs in parallel with the review of the CESP Action Plan. The utility shall post on its website, on the same date as any such application is filed with the Commission, a copy of the application in downloadable, PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the application by the Commission.

#### E. Consumer Advocate's Responsibility

1. The Director of Commerce and Consumer Affairs, as the Consumer Advocate and through the Division of Consumer Advocacy, has the statutory responsibility to represent, protect, and advance the interest of consumers of utility services. The Consumer Advocate, therefore, has the duty to ensure that the utility's CESP scenarios and CESP Action Plan promotes the interest of utility consumers.
2. The Consumer Advocate shall be a party to each utility's clean energy scenario planning docket and a member of any and all advisory committees established by the utility in the development of its CESP scenarios and CESP Action Plan. The Consumer Advocate shall also participate in all public hearings and other sessions held in furtherance of the utility's efforts in clean energy scenario planning.

#### F. Public Benefit Fee ("PBF") Administrator's Responsibility

1. The PBF Administrator's responsibility, in general, is to administer all energy efficiency programs in accordance with Public Benefits Fee HRS ch. 269, part VII and Docket No. 2007-0323.
2. The PBF Administrator shall be a party to each utility's clean energy scenario planning docket and a member of any and all advisory committees established by the utility in the development of its CESP scenarios and CESP Action Plan. The PBF Administrator shall also participate in all public hearings and other sessions held in furtherance of the utility's efforts in clean energy scenario planning.

## III. The Planning Context

### A. Major Steps

There are three major steps in the clean energy scenario planning process: planning, programming, and implementation.

1. Planning is that process in which the utility's needs are identified; the assumptions, costs, risks, and uncertainties are clarified; Locational Value Maps are developed; and resource and program choices are subjected to scenario analyses to reflect a range of the possible energy-related policy choices and risks facing the utility systems and citizens. The product of this process is the utility's CESP scenarios. The planning horizon for the utility CESP is 20 years. Unless otherwise ordered by the Commission, the 20-year period begins January 1 following the completion of the CESP.
2. Programming is that process by which the utility's CESP scenarios are evaluated and programs or elements from one or more scenarios are scheduled for implementation over a five-year period. In this process, a determination is made as to the order in which the selected program options are to be implemented; the phases or steps in which each program is to be implemented; the expected target group and the annual size of the target group or annual level of penetration of demand-side management programs; the expected annual supply-side capacity additions and the identification of the resource procurement method; transmission system additions; and the annual expenditures required to be made by the utility to support implementation of the programs. The result of this process is a program implementation schedule or CESP Action Plan. The CESP Action Plan represents a strategy or timetable for program implementation.
3. Implementation is that process by which the resource program options to be implemented are acquired and instituted in accordance with the utility's CESP Action Plan.
- 3.4. Nothing herein shall be construed as permitting a utility to obtain confidential information from an entity or to disclose confidential information provided to it by a entity unless the utility has first obtained written permission from an authorized representative of that entity.

### B. The Planning Cycle

1. Each utility shall conduct its initial CESP for submittal to the Commission by the following dates:
  - a. Hawaiian Electric Company, Inc.: 18 months after issuance of D&O for this framework.

- b. Hawaii Electric Light Company, Inc.: 18 months after issuance of D&O for this framework.
- c. Maui Electric Company, Limited: 18 months after issuance of D&O for this framework.
- d. Kauai Island Utility Cooperative: To be determined.

Utilities that are affiliated shall conduct their clean energy scenario planning in coordination with each other or in parallel since the clean energy scenario plan for one island utility may affect the choices and actions of another island utility. ~~[Energy Agreement Initiative No. 32, third bullet on page 36]~~

- 2. Each utility shall conduct a major review of its CESP every three years. ~~[Consistent with Energy Agreement Initiative No. 32, second bullet on page 36]~~ In such a review, a new 20-year time horizon shall be adopted, the planning process repeated, and the utility's resource programs re-analyzed fully. A major review shall be conducted by each utility, resulting in the submission to the Commission of new CESP scenarios and CESP Action Plan in the same month every three years from the filing of the initial CESP.

#### C. The Docket

- 1. Each planning cycle for a utility will commence with the issuance of an order by the Commission opening a docket for clean energy scenario planning. The utility shall post on its website, on the same date as any such order is filed with the Commission, a copy of the order in downloadable, PDF format under the heading "CESP And Related Filings And Orders."
- 2. The docket will be maintained throughout the planning cycle for the filing of documents, the resolution of procedural disputes, and other purposes related to the utility's CESP scenarios and CESP Action Plan.
- 3. Within 30 days after the opening of the docket, the utility shall prepare, in consultation with the Consumer Advocate and any entities that have been granted intervenor or participant status, and file with the Commission a schedule that it intends to follow in the development of its CESP scenarios and CESP Action Plan. The schedule may be amended upon the formation of an advisory committee or committees and thereafter as appropriate.
- 4. The utility shall complete its CESP scenarios and CESP Action Plan within one year of the commencement of the planning cycle.

D. Submissions to the Commission

1. The utility shall submit its CESP to the Commission, and shall post on its website, on the same date as any such submission is filed with the Commission, a copy of the application in downloadable, PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the submission by the Commission. ~~which~~ The CESP will include the CESP scenarios and CESP Action Plan as follows.

- a. The utility shall include in its CESP a detailed description of:

- (i) The factors and assumptions underlying the development of each scenario, which includes but is not limited to: (a) the generation and transmission needs identified; (b) the proposed procurement method for generation resources identified in the plans; (c) the forecasts made; (d) the assumptions underlying the forecasts; (e) the assumptions and the basis of the assumptions underlying the plans; (f) the risks and uncertainties associated with the plans; (g) the total resource cost of the plans; (h) the expected impact of the plans on demand; and (i) estimates of potential impact of the plans on customer rates and bills.
- (ii) ~~Locational Value Maps identifying geographic areas of distribution system growth.~~ identifying geographic areas of distribution system growth within the next 3-5 years where distributed resources and energy efficiency could be beneficial within the existing transmission and distribution system limits. (However, proposed distributed resource and energy efficiency projects that are not within any geographic area so identified shall not be evaluated differently or subject to any different standards than such projects within those areas.)
- (iii) Renewable Energy Zones identifying potential areas of renewable energy development.

- b. A reasonable number of CESP scenarios shall be analyzed and developed to reflect a range of possible energy-related policy choices and risks facing the utility systems and citizens. These scenarios may ~~feature~~ include, but are not limited to, different policy backdrops, such as major increases or decreases in oil prices, policy changes such as federal or international carbon regulation or the adoption of plug-in hybrid electric vehicles/electric vehicles, as well as different resource policies such as higher levels of energy efficiency, demand response, and renewable substitution (e.g., solar water heating and seawater-cooled air conditioning). ~~{Energy Agreement Initiative No. 33, subpart a, page 38}~~ In addition, these scenarios may feature different economic and financial backdrops, such as ranges of future State economic health and ranges of future financial market conditions. The CESP scenarios will guide the utility to develop its CESP Action Plan.

- c. The submissions should be simple and clearly written and, to the extent possible, in non-technical language. Charts, graphs, and other visual devices may be utilized to aid in understanding its plan and the analyses made by the utility. The utility shall provide an executive summary of the plan and of the analyses and appropriately index its submissions.
  - e-d. The utility shall file a full and detailed description of the analysis or analyses on which the CESP is based.
  - e-e. The utility shall file a description of any alternate CESP's developed by the utility and an explanation as to why each alternate was rejected.
2. The utility shall submit its CESP Action Plan to the Commission, and shall post on its website, on the same date as any such submission is filed with the Commission, a copy of the application in downloadable PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the submission by the Commission. ~~its CESP Action Plan as follows.~~
- a. The CESP Action Plan will be developed based on the CESP scenarios analyzed. The CESP Action Plan may contain elements or programs from one or more of the CESP scenarios. The evaluation of which elements to be included in the CESP Action Plan should be based on factors including but not limited to: (i) achieving state clean energy objectives; (ii) timing flexibility; and (iii) preserving a stable electric grid for the state's renewable energy future.
  - b. Information pertaining to energy efficiency demand-side management programs shall be provided to the utility from the PBF Administrator. The PBF Administrator shall include its projection of the energy and demand savings resulting from its energy efficiency programs and the expenditures required to be made to support the implementation of the energy efficiency programs.
  - c. The utility shall include its projection of the energy and demand savings resulting from its demand response programs and any pilot DSM programs authorized by the Public Utilities Commission of the State of Hawaii and the expenditures required to be made to support the implementation of these programs.
  - d. The utility shall include the expected supply-side capacity additions, the proposed procurement method for the supply-side additions (including the use of exemption or waiver from Competitive Bidding), and the cost required to be made by the utility to support the implementation of the supply-side resource options as well as an estimate of any benefits that offset such costs.

- e. The utility shall include the expected transmission system additions and the estimated cost required to be made by the utility to support the implementation of the transmission additions as well as an estimate of any benefits that offset such costs.
  - f. The utility shall include identification of smart grid improvements and upgrades to the utility system and the estimated cost required to be made by the utility to support the implementation of any smart grid improvements as well as an estimate of any benefits that offset such costs.
  - g. The utility shall file with its CESP Action Plan a full description of the analysis upon which the schedule is based.
  - h. The CESP Action Plan shall also be accompanied by the utility's estimated costs and proposals for cost recovery, as appropriate, as well as an estimate of any benefits that offset such costs.
  - i. The CESP Action Plan shall include any effort related to the implementation of the Framework for Competitive Bidding, including, but not limited to, the development of the request for proposal, parallel planning, and contingency planning.
3. The utility shall submit an evaluation report to the Commission, and shall post on its website, on the same date as any such report is filed with the Commission, a copy of the report in downloadable, PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the submission by the Commission, as follows:
- a. The utility shall submit a minimum of one evaluation report between CESP cycles, preferably in the middle of the three years.
  - b. The utility shall include in its evaluation, an assessment of the continuing validity of the forecasts and assumptions upon which its CESP Action Plan was fashioned, and update these assumptions as appropriate. Information pertaining to energy efficiency demand-side management programs shall be provided to the utility from the PBF Administrator.
  - c. The utility and the PBF Administrator shall also include for each demand response and energy efficiency program respectively included in the CESP Action Plan for the immediately preceding year a comparison of:
    - (1) The expenditures anticipated to be made and the expenditures actually made.
    - (2) The level of achievement of energy and demand impacts anticipated and the level actually attained.

- d. The utility and the PBF Administrator shall provide an assessment of all substantial differences between original estimates and actual experience and of what the actual experience portends for the future. The PBF Administrator shall provide relevant information to the utility for incorporation into its evaluation report.
  - e. As part of its evaluation, the utility shall submit a revised CESP Action Plan that drops the immediately preceding year(s) from the schedule of the CESP Action Plan and include a corresponding new year(s). The CESP Action Plan must always reflect a five-year time span.
4. The utility may at any time, as a result of its evaluation or change in conditions, circumstances, or assumptions, revise or amend its CESP Action Plan, including LVMs and REZ. All revisions and amendments must conform to the appropriate requirements of this part D and shall be filed with the Commission , and shall be posted on the utility's website, on the same date as any such revision and/or amendment is filed with the Commission, a copy of same in downloadable, PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the submission by the Commission.
5. The utility may, at any time, request a waiver from the Commission from any or all of the provisions of the CESP Framework, provided that it simultaneously serves the parties to the docket. In addition, the utility shall post on its website, on the same date as any such request is filed with the Commission, a copy of the request in downloadable, PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the request by the Commission. A utility seeking such a waiver shall have the burden of showing, to the Commission's satisfaction, that compliance with the CESP Framework, or any of its provisions, is impossible, impractical, inappropriate or economically infeasible. Any waiver that a utility may seek should be sought at the earliest feasible and possible moment, at least not later than the moment it becomes apparent that the utility does not intend to comply with a particular CESP Framework requirement.
- ~~6. Notwithstanding the above, the Commission, upon a showing or submission that a utility has an ownership structure in which there is no substantial difference in economic interests between its owners and its customers<sup>†</sup>, may waive or exempt that utility from any or all of the provisions of the CESP Framework. Marriotts Comment: This section is unnecessary as a utility or cooperative may apply for a waiver on specific grounds.~~
- ~~7.6.~~ The CESP Action Plan approved by the Commission shall provide guidance for all utility expenditures for capital projects, purchased power, and demand response

<sup>†</sup> Such as a member-owned cooperative.

programs, and the PBF Administrator's expenditure for energy efficiency programs. Notwithstanding approval of the CESP Action Plan: (a) an expenditure for any capital project in excess of \$2,500,000, excluding customer contributions, shall be submitted to the Commission for review as provided in paragraph 2.3. g. 2 of General Order No.7 (as amended by Decision and Order No. 21002, filed May 27, 2004 in Docket No. 03-0257); and (b) no obligation under any purchased power contract shall be undertaken and no expenditure for any specific demand-side management program included in the CESP Action Plan shall be made without prior Commission approval of the purchased power contract or demand-side management program. Projects and programs do not have to be included in the approved CESP Action Plan to be consistent with the CESP. Specific capital expenditures projects may not be identified or discussed in the CESP process because they are generally described as generic projects. All power purchases from qualifying facilities and independent power producers shall be subject to statute and Commission rules and also may not be identified or specifically discussed in the CESP because proposals may be received at unforeseen times. Other types of projects, such as distribution projects, generally will not be analyzed in the CESP process but the distribution planning process is coordinated with the CESP. The utility should file an amendment to the CESP addressing any projects received at unforeseen times.

8.7. The CESP scenarios and CESP Action Plan resulting from this planning framework ~~is~~are not fixed and unchanging. The CESP scenarios and CESP Action Plan shall be flexible enough to account for changes in planning assumptions and forecasts. This will allow for major decisions regarding the implementation of program options (both supply-side and demand-side resources) to be made incrementally, based on the best available information at the time decisions must be made. The CESP scenario analyses shall identify what information is critical to the decision making process, and also identify when the strategic decisions need to be made.

#### E. Public Participation

To encourage public participation in each utility's clean energy scenario planning process, opportunities for such participation shall be provided through advisory committees to the utility, public hearings, and interventions in formal proceedings before the Commission.

##### 1. Advisory Committees

a. The utility shall organize in each county in which the utility provides service or conducts utility business a group or groups of representatives of public and private entities, designated as advisory committees, to provide input to the utility and the PBF Administrator in the development of its CESP. A separate advisory committee may be formed for each stage of the planning process, as appropriate. The utility shall chair each advisory committee. The advisory committees shall include representatives from each of the customer classes of the utility, county and state agencies, conservation groups, commercial entities that provide equipment, and other entities with a legitimate interest. Any entity



desiring to participate in an advisory committee shall notify the utility in writing and shall be included as a member of the advisory committee. In the event that more than one entity representing the same or a substantially similar interest becomes a member of an advisory committee, one such advisory committee member shall be selected by the other members to participate on behalf of that interest.

a. The utility shall have the initial responsibility to form the advisory committee. Any entity with a legitimate interest in the proceeding that desires to participate in the CESP process as an advisory committee member shall be automatically granted the right to participate in the advisory committee. If more than one entity representing a particular interest with respect to a particular utility become members of an advisory committee, those entities shall select one entity to be their designated representative. The designated representative shall represent the joint interests in any advisory group meetings.

- b. The public and private entities includable in an advisory committee are those that represent interests that are affected by the utility's CESP scenarios and that can provide significant perspective or useful expertise in the development of the scenarios. ~~These entities include state and county agencies and environmental, cultural, business, and community interest groups.~~ An advisory committee should be representative of as broad a spectrum of interests as possible, ~~subject to the limitation that the interests represented should not be so numerous as to make deliberations as a group unwieldy and to allow for the timely completion and filing of a CESP~~
- c. The utility shall hold meetings with the advisory committee during key phases of the process with a minimum quarterly participation to the extent meaningful and practical. ~~[From HECO/HELCO/MECO IRP 3 Stipulations and HELCO/MECO Orders approving IRP 3]~~ The PBF Administrator shall attend meetings to support their forecast of energy efficiency programs.
- d. The utility shall consider the input of each advisory committee; but the utility is not bound to follow the advice of any advisory committee. The utility shall state its reasons for rejecting a particular proposal and advisory committee members are permitted to file any objections that they have with the Commission.
- e. All data reasonably necessary for an advisory committee to participate in the utility's clean energy scenario planning process shall be provided by the utility, subject to the need to protect the confidentiality of customer-specific and proprietary information.
- f. The use by the advisory committees of the collaborative process is encouraged to arrive at a consensus on issues.

- g. All reasonable out-of-pocket costs incurred by participants in advisory committees (other than governmental agencies) shall be paid for by the utility, subject to recovery as part of the utility's cost of clean energy scenario planning. Marriotts Comment: This section requires clarification – precisely what costs are contemplated here?

## 2. Public hearings

- a. The utility is encouraged to conduct public meetings or provide public forums at the various, discrete phases of the planning process for the purpose of securing the input of ~~those~~ members of the public ~~who are not represented by entities constituting advisory committees.~~
- b. Upon the filing of requests for approval of a CESP Action Plan, the Commission may, and it shall where required by statute, conduct public hearings for the purpose of securing public input on the utility's proposal. The Commission may also conduct such informal public meetings as it deems advisable.

## 3. Intervention

- a. Upon the filing of its CESP, the utility shall cause to be published in a newspaper of general circulation in the State a notice informing the general public that the utility has filed its proposed CESP Action Plan with the Commission for the Commission's approval. The utility shall post on its website, on the same date as any such filing is filed with the Commission, a copy of the filing in downloadable, PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the filing by the Commission.
- b. To encourage public awareness of the filing of the CESP, a copy of the CESP Action Plan and the supporting analysis shall be available for public review at the Commission's office and at the office of the Commission's representative in the county serviced by the utility. The utilities shall provide copies of these documents online on its website. Each utility shall note the availability of the documents for public review at these locations in its published notice. The utility shall make copies of the executive summary of the plan and the analysis available to the general public at no cost, except the cost of duplication.
- c. Applications to intervene or to participate without intervention in any proceeding in which a utility seeks Commission approval of its CESP Action Plan are subject to the rules prescribed in Hawaii Administrative Rules, Chapter 6-61 (Rules of Practice and Procedure before the Public Utilities Commission); ~~except that such applications may be filed with the Commission not later than 20 days after the publication by the utility of a notice informing the general public of the filing of the utility's application for Commission approval of its~~

~~CESP Action Plan, notwithstanding the opening of the docket before such publication and any order issued by the Commission regarding same.~~

~~e.d. An advisory committee that has provided input on any issue addressed in a utility's filing shall be designated as an intervenor in any proceeding instituted by the Commission to address that filing. The utility shall inform the Commission of any such advisory committee in its initial filing.~~

~~d.e. A person's status as an intervenor or participant shall continue through the life of the docket, unless the person voluntarily withdraws or is dismissed as an intervenor or participant by the Commission for cause.~~

#### 4. Intervenor funding

a. Upon the issuance of the Commission's final order on a utility's CESP Action Plan or any amendment to the CESP Action Plan, the Commission may grant an intervenor or participant (other than a governmental agency, a for-profit entity, and an association of for-profit entities) recovery of all or part of the intervenor's or participant's direct out-of-pocket costs reasonably and necessarily incurred in intervention or participation. Any recovery and the amount of such recovery are in the sole discretion of the Commission. All intervenors and participants (who plan to seek intervenor funding) must file a budget with the Commission within 30 days after intervention is granted, setting forth:

- (1) the estimated cost of intervention or participation;
- (2) the level of funding expected to be funded from other sources; and
- (3) the net amount expected to be recovered from utility ratepayers.

b. To be eligible for such recovery:

- (1) The intervenor or participant must show a need for financial assistance;
- (2) The intervenor or participant must demonstrate that it has made reasonable efforts to secure funding elsewhere, without success;
- (3) The intervenor or participant must maintain accurate and meaningful books of account on the expenditures incurred; and
- (4) The Commission must find that the intervenor or participant made a substantial contribution in assisting the Commission in arriving at its decision.

c. The intervenor's or participant's books of account are subject to audit, and the Commission may impose other requirements in any specific case.

- d. Such allowance may be made only upon the application of the intervenor or participant within 20 days after the issuance of the Commission's final order, together with justification and documented proof of the costs incurred.
- e. The costs of intervenor funding shall be paid for by the utility, subject to recovery as part of its costs of clean energy scenario planning.

#### F. Cost Recovery and Incentives

The utility is entitled to recover its clean energy scenario planning and implementation costs that are reasonably incurred, including the costs of planning and implementing pilot and full-scale utility demand-side management programs: as determined by the Public Utilities Commission of the State of Hawaii after an appropriate filing and hearing.

1.

- a. ~~The~~Any cost recovery may only be ~~had through the following mechanisms as authorized by the Public Utilities Commission of the State of Hawaii after an appropriate filing and hearing. Requested cost recovery mechanisms may include, but are not limited to:~~
  - (1) Base rate recovery--the inclusion of costs in the utility's base rate during each rate case. The utility shall record costs associated with the clean energy scenario planning in separate accounts to allow review of the actual costs incurred to the forecasted costs presented in each rate case.
  - (2) Ratebasing--the inclusion of costs that are capital in character (i.e., expenditures considered to produce long-term savings or benefits, such as appliance rebates, loans, etc.), with accumulated AFUDC, in the utility's rate base at its next rate case. The costs are to be amortized over a period set by the Commission.
  - (3) Escrow accounting--the accumulation, with interest, of costs, not capital in character, incurred between rate cases and not otherwise recovered through the utility's base rates, adjustment clause, or rate base, in a deferred account, to be amortized over a period set by the Commission.
- b. The Commission will determine the appropriate mechanism for the recovery of costs associated with demand-side management programs when specific demand-side management programs are submitted for Commission approval. Cost recovery for other CESP programs generally will be addressed in each utility's rate case.

2. ~~Under appropriate circumstances, the Commission may provide the PBF Administrator with incentives to encourage participation in and promotion of full-scale energy efficiency programs:~~
  - a. ~~The incentives may take any form approved by the Commission. Among the possible forms are:~~
    - (1) ~~Granting the PBF Administrator a percentage share of the gross or net benefits attributable to energy efficiency programs (shared savings).~~
    - (2) ~~Granting the PBF Administrator a percentage of certain specific expenditures it makes in energy efficiency programs (mark-up).~~
  - b. ~~The Commission will determine whether the PBF Administrator will be provided with incentives and the form of such incentives, if any, when specific energy efficiency programs are submitted for approval. The PBF Administrator may propose incentive forms for a particular program, based on the particular attributes of the program and the results to be attained.~~
  - e. ~~The Commission may terminate any and all incentives whenever circumstances or conditions warrant such termination.~~

#### IV. Planning Considerations

##### A. Energy and Demand Forecasts

1. The utility shall develop forecasts of the amount of energy consumers will need and the expected annual peak demand over the planning horizon. It shall develop load forecasts for a reasonable number of scenarios that are developed as necessary or appropriate in the development of its CESP scenarios. The utility may retain expert consultants to assist in the development of an economic outlook and for other specialized and technical needs related to this purpose.
2. The utilities may initiate various research programs to obtain detailed energy usage information about Hawaii energy customers so this information can be used to develop energy efficiency program designs and forecasts for future energy planning efforts.
3. To the extent practical, the utility should provide load by geographic location on its system.

##### B. Fuel Forecasts

1. The utility shall develop forecasts of the cost of fuel over the planning horizon. It shall develop fuel forecasts for a reasonable number of scenarios that are developed as necessary or appropriate in the development of its CESP scenarios. The utility

may retain expert consultants to assist in the development of the fuel forecasts and for other specialized and technical needs related to this purpose. The utility may recover costs associated with this section only upon approval of the Commission after an appropriate filing and hearing.

C. Demand-Side Management Forecasts

1. Energy Efficiency – The PBF Administrator shall administer all energy efficiency programs in accordance with Public Benefits Fee HRS ch. 269, part VII and Docket No. 2007-0323. The utilities shall support and participate in the PBF Administrator’s implementation of the energy efficiency programs.
  - a. The PBF Administrator, utilities, and stakeholders, ~~such~~including, but not limited to, as the advisory committee and parties to any of the various dockets related to the CESP, shall work together in a collaborative process to design effective, high-impact energy efficiency programs that will be implemented in the Action Plan.
  - b. The PBF Administrator shall lead, in collaboration with the utility and the State, new studies and forecasts to determine the technical and economic potential for a broad variety of energy efficiency measures within Hawaii.
2. Demand Response – The utility shall be responsible for the administration of demand response and load management programs because of the need to monitor electrical system status while deciding when and to what degree to invoke the demand reductions available through demand response programs. Third-party demand response and load curtailment aggregators should be allowed to support and participate in the utilities’ implementation of the demand response programs.
  - a. Program costs for existing load management and any new pilots and full-scale demand response programs shall be recovered through the appropriate cost recovery mechanism as determined by the Public Utilities Commission of the State of Hawaii after an appropriate filing and hearing.
    - a.
    - b. The utility shall lead, in collaboration with the PBF Administrator and the State, new studies and forecasts to determine the technical and economic potential for a broad variety of demand response measures within Hawaii.

D. Distributed Generation Forecast

1. The utility shall develop a forecast of the amount of distributed generation that could be installed by utility customers, third parties, or the utility over the planning horizon. The distributed generation resources considered in the forecast shall include, but not be limited to, the following:

- a. Biofueled and fossil fueled generating resources;
- b. Combined heat and power resources;
- c. Photovoltaic resources;
- d. Small wind and hydro resources; and

e. Other small renewable energy resources as defined by HRS §269-91 of the State's RPS.

Any of these resources to be provided by the utilities must be consistent with Commission orders regarding same. Likewise, any of these resources to be provided by the utilities will be subject to the same standby rates, interconnection tariffs, etc., as other projects undertaken by customers and third parties.

e.

- 2. The distributed generation forecast shall include reexamination of the following:
  - a. NEM limits in accordance with Docket No. 2006-0084; and
  - b. FIT provisions in accordance with Docket No. 2008-0273.

#### E. Resource Options

- 1. In the development of its CESP scenarios, the utility shall consider supply-side and demand-side resource options appropriate to Hawaii and available within the years encompassed by the clean energy scenario planning horizon to meet the stated governing principles and planning context.
- 2. The utility shall consider among the options the supply-side and demand-side resources or mixes of options currently in use, promoted, planned, or programmed for implementation by the utility. Supply-side and demand-side resource options include those resources that are or may be supplied by persons other than the utility.
- 3. The utility shall integrate the Competitive Bidding Framework, Docket No. 03-0372. The CESP scenarios and CESP Action Plan shall identify those resources for which the utility proposes to acquire through competitive bidding, those resources that may be exempt from competitive bidding, and those resources for which the utility will need to seek waivers from competitive bidding, and shall include an explanation of the facts supporting waivers. ~~[Framework for Competitive Bidding section H.C.4.a]~~
  - a. The CESP scenarios and CESP Action Plan shall specify the proposed scope of the Request for Proposal for any specific generation resource or block of generation resources that the CESP states will be subject to competitive bidding,

including but not limited to the size, timing, and operational characteristics of the generation resource or block of generation resources. ~~{Framework for Competitive Bidding section II.B.1}~~

- a.
  - b. The utility is unable to predict what type of resource and associated costs will be selected as an outcome of implementing the competitive bidding framework. For the purposes of developing the CESP scenarios, the utility may use generic resource data (i.e., biofueled combustion turbine, wind, PV) available for determining the size, timing, and operational characteristics of future resources. The utility shall provide all resource data used in the development of the CESP scenarios.

4. The costs and benefits shall, to the extent possible and feasible, be (a) quantified and (b) expressed in dollar terms. When it is neither possible nor feasible to quantify any cost or benefit, such cost or benefit shall be qualitatively measured. The methodology used in quantifying or in qualitatively stating costs and benefits shall be detailed.

F. Locational Value Maps ~~{Energy Agreement Initiative No. 33, subpart i, page 39}~~

1. The utility shall identify general geographic areas of distribution system growth within the next 3-5 years where distributed resources and energy efficiency could be beneficial within the existing transmission and distribution system limits.
2. The utility shall identify general geographic areas rather than individual circuits to maximize benefits and incorporate back-up system needs.
3. The information from the Locational Value Maps shall be provided to parties such as the PBF Administrator so that energy efficiency DSM can be focused into geographic areas that would most benefit from energy efficiency DSM programs.
4. The utility should use the Locational Value Map to identify Clean Energy Investment Zones. The utility should publicize the existence of these zones in conjunction with the utility's education efforts following the completion of the CESP. ~~{Energy Agreement Initiative No. 33, subpart j, page 40}~~

G. Renewable Energy Zones ~~{Energy Agreement Initiative No. 33, subpart f, page 39}~~

1. The utility shall identify Renewable Energy Zones where areas of its service territory contain significant renewable resource potential. The CESP shall identify possible infrastructure requirements needed to interconnect the utility's grid to the REZ and operationally integrate renewable resources that may be developed in the REZ with the utility's system.



#### H. Assumptions; Risks; Uncertainties

1. The utility shall identify the assumptions underlying any forecast, resource option, the cost or benefit of any option or any analysis performed.
2. The utility shall also identify the risks and uncertainties associated with each forecast and resource option.
3. The utility shall further identify any technological limitations, infrastructural constraints, legal and governmental policy requirements, and other constraints that impact on any option or the utility's analysis.

#### I. Models

1. The utility may utilize any reasonable model or models in comparing resource options and otherwise in analyzing the relative values of the various options or combinations of options.
2. Each model used must be fully described and documented.

#### J. Analyses

1. The CESP scenarios should focus on higher level planning using a portfolio of energy resources/types rather than identifying specific details on individual resources in the plan. ~~{Energy Agreement Initiative No. 33, subpart a, page 38}~~
2. The utility shall review the CESP scenarios to look for common themes, assets and strategies that demonstrate robust value to balance costs and risks across many of the scenarios evaluated. Resources and strategies that provide the greatest value and flexibility across a wide range of potential futures and uncertainties shall be identified. ~~{Energy Agreement Initiative No. 33, subpart 1, page 40}~~
3. The CESP scenarios shall identify the preferred energy contributions from various resources, taking into account the differing renewable energy impact, emissions, fossil fuel usage and cost (utility and total resource cost perspective) into consideration. All existing contractual and forward looking operational requirements and constraints on the utility grid shall be factored into the analysis. ~~{Energy Agreement Initiative No. 33, subpart e, second paragraph, page 38}~~
4. The utility shall compare the CESP scenarios on the present value basis. For this purpose, the utility shall discount the estimated annual costs (and benefits, as appropriate) at an appropriate rate. The utility shall fully explain the rationale for its choice of the discount rate.

5. The CESP scenarios shall be supported by quantitative and qualitative analyses to the extent reasonably possible and feasible. ~~{Energy Agreement Initiative No. 33, subpart c, first paragraph, page 38}~~
6. Technical analyses shall be performed to determine the extent to which renewable resources with certain types of characteristics (e.g., variable, as-available resources, or fixed dispatched resources) can be integrated into the utility system grid while maintaining stability and reliability. ~~{Energy Agreement Initiative No. 33, subpart e, third paragraph, page 38}~~
7. The utility shall conduct a high-level load flow transmission system analysis building on the base case planning considerations, evaluating grid conditions and flows for no less than a three-year period. The CESP shall evaluate system level distributed generation and DSM impact, taking into account the aggregate system impact to load and load flows on the transmission system to determine transmission and generation system benefits. New transmission assets triggered by load growth, addition of new or expanded generation, or a change in planning criteria that require Commission approval shall be identified. ~~{Energy Agreement Initiative No. 33, subpart g, page 39}~~
8. The utility shall provide estimates of potential impacts of the CESP scenarios on customer rates and bills.
9. The CESP scenarios shall identify the size, timing, and operational characteristics of future resources in accordance with the Competitive Bidding Framework, Docket No. 03-0372.
10. The CESP scenarios shall provide guidance for the utilities to develop the CESP Action Plan.

#### V. Pilot Demand-Side Management Programs

##### A. Purposes

1. A purpose of piloting demand-side management programs is to ascertain whether a given program, not yet proven in Hawaii, is cost-effective--whether it will achieve the objectives as originally believed.
2. A second purpose of piloting demand-side management programs is to determine whether the program design and configuration (including how it is managed and promoted) are such as to permit implementation of the program as efficiently and effectively as desired.

##### B. Utility Pilot Programs

1. A utility may implement on a full-scale basis (without pilot testing) any demand response program that has been proven cost effective as a result of a full-scale or pilot implementation of the program in another service territory or as a result of pilot testing in Hawaii. Such programs shall only be implemented consistent with Commission rules, regulations, orders, rates and tariffs regarding same. Likewise, such programs shall be subject to the same applicable rules, regulations, orders, rates, tariffs, etc., as other projects undertaken by customers and third parties.
2. The utility may develop appropriate pilot demand response programs for implementation without awaiting Commission approval of the utility's CESP Action Plan.
  - ~~3.~~ 3. All utility proposed pilot demand response programs are subject to Commission approval after an appropriate filing and hearing. In addition, the utility shall post on its website, on the same date as any such filing is filed with the Commission, a copy of the filing in downloadable, PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the filing by the Commission.

## **APPENDIX 2**

### **Marriott's Proposed Modifications To "A Framework For Integrated Resource Planning"**

**Proposed Additions Are Indicated By Underlining**

**Proposed ~~Deletions~~ Are Indicated By Strikeout**

**December 21, 2009**

**Proposed Modifications Of The Marriotts**  
**Dated: December 21, 2009**

PUBLIC UTILITIES COMMISSION

STATE OF HAWAII

**A FRAMEWORK FOR INTEGRATED RESOURCE PLANNING**

March \_\_, 2010

**I. DEFINITIONS**

Unless otherwise clear from the context, as used in this framework:

“Action” (as used in the context of a utility action plan) means any specific activity (resource option, study, program, measure, etc.) that the utility intends to implement in order to provide required services and/or attain planning objectives.

“Action plan” means a program implementation schedule, as part of a utility’s integrated resource plan, representing a strategy, including a timetable of programs, projects, and activities designed to meet energy objectives over the first five to ten year period of the 20-year planning horizon, including the State of Hawai‘i’s clean energy objectives.

~~“Capital investment costs” means costs associated with capital improvements, including planning, the acquisition and development of land, the design and construction of new facilities, the making of renovations or additions to existing facilities, the construction of built-in equipment, and consultant and staff services in planning, design, and construction. Capital investment costs for a program are the sum of the program’s capital improvement project costs.~~

~~“CHP” means the production of useful heat and electricity from the same process or source.~~ means a combined heat and power system which is an electricity generating system whose waste heat is captured and used for heating and/or cooling applications.

“Clean energy” means electrical energy generated using renewable energy as a source or as electrical energy savings brought about by the use of renewable displacement or off-set technologies or energy efficiency technologies as defined as “renewable electrical energy” in HRS ch. 269, pt. V, § 269-91, as amended.

~~“Clean Energy Objectives” or “CE Objectives” means moving the State of Hawai‘i towards achieving a sustainable, clean, flexible, and economically vibrant energy future consistent with any applicable laws or policies of the State of Hawai‘i, off of fossil fuel use and on to Clean Energy use, as mandated by federal, State and county laws (including, but not limited to, HRS ch. 269, pt. V, as amended), and as may be informed by policy statements and guidance.~~

~~“Costs” means the full and life cycle costs of a resource option.~~

~~“Cost categories” means the major types of costs and includes research and development costs, investment costs, and operating and maintenance costs.~~

~~“Cost elements” means the major subdivision of a cost category. For the category “investment costs, it includes capital investment costs, initial equipment and furnishing costs, and initial education and training costs. For the categories “research and development costs” and “operating and maintenance costs,” it includes labor costs, fuel costs, materials and supplies costs, and other current expenses.~~

~~“Demand-side management” or “DSM” means programs designed to influence utility customer uses of energy to produce desired changes in electricity demand, including, but not limited to, conservation, energy efficiency, demand response, load management, rate and fee design measures (e.g., declining block rate designs, generation hook-up fees, and standby charges) rate design, and renewable substitution.~~

~~“Design costs” means the costs related to the preparation of architectural drawings for capital improvements, from schematics to final construction drawings.~~

~~“Distributed Generation” or “DG” means electric generating technologies installed at, or in close proximity to, the end-user’s location including, but not limited to, renewable energy and combined heat and power (“CHP”) facilities, and dispatchable emergency generators, and renewable energy facilities.~~

~~“Effectiveness measure” means the criterion for measuring the degree to which the objective sought is attained.~~

~~“External benefits” means external economies; benefits to or positive impacts on the activities of entities outside the utility and its ratepayers. External benefits include environmental, cultural, and general economic benefits.~~

~~“External costs” means external diseconomies; costs to or negative impacts on the activities of entities outside the utility and its ratepayers. External costs include environmental, cultural, and general economic costs.~~

~~“Feed-in-Tariff” or “FIT” means a set of standardized terms and conditions, including published purchased power rates, which a utility shall pay for each type of renewable energy.~~

~~“Full cost” means the total cost of a program, system, or capability, including research and development costs, capital investment costs, and operating and maintenance costs.~~

~~“Hawai‘i Revised Statutes” or “HRS” means current State laws governing the State of Hawai‘i.~~

“Integrated Resource Plan” or “IRP” is a plan governed by this framework which provides mandatory guidelines for the utilities for meeting the utility’s forecasted load over time with supply-side and demand-side resources consistent with clean energy objectives.

~~“Investment costs” means the one-time costs beyond the development phase to introduce a new system, program, or capability into use. It includes capital investment costs, initial equipment acquisition costs, and initial education and training costs.~~

~~“Life cycle costs” means the total cost impact over the life of the program. Life cycle costs include research and development cost, investment cost (the one-time cost of instituting the program), and operating and maintenance (O&M) cost.~~

“Net Energy Metering” or “NEM” is a service to an electric consumer under which electric energy generated by that electric consumer from an eligible on-site generating facility (“customer-generator”) and delivered to the local distribution facilities that is used to offset electric energy provided by the electric utility to the electric consumer during the applicable billing period as defined in HRS ch. 269, part VI, Section 269-101.

~~“Operating and maintenance costs” or “O&M costs” means recurring costs of operating, supporting, and maintaining authorized programs, including costs for labor, fuel, materials and supplies, and other current expenses.~~

~~“Participant impact” means the impact on participants in a demand-side management program in terms of the costs borne and the direct, economic benefits received by the participants.~~

~~“Planning objectives” are desired outcomes to be attained by actions by the utility and Public Benefits Fee Administrator.~~

“Program” means projects, resources and/or activities in a strategy, scenario and/or the Action Plan.

“Public Benefit Fee Administrator” or “PBF Administrator” means the third-party administrator of energy efficiency demand-side management programs as defined in HRS ch. 269, pt. VII, § 269-122.

~~“Ratepayer impact” means the impact on ratepayer in terms of the utility rates that ratepayers must pay.~~

~~“Research and development costs” means costs associated with the development of a new system, program, or capability to the point where it is ready for introduction into operational use. It includes the costs of prototypes and the testing of the prototypes. It includes the costs of research, planning, and testing and evaluation.~~

“Renewable Portfolio Standards” or “RPS” means the State of Hawai‘i’s renewable portfolio standards as defined in HRS ch. 269, pt. V.

“Request for Proposals” or “RFP” means a written request for proposals issued by an electric utility or other entity to solicit bids from interested parties for provision of supply-side or demand-side resources or services to a utility pursuant to an applicable competitive bidding process.

“Resource option” is a program, generation unit, tariff provision, or any other measure (collectively “measures”) that would contribute to meeting energy needs or attainment of planning objectives. Resource options would include measures that could be implemented by the utility, the public benefit fee administrator or the Commission as well as those measures anticipated to be implemented by other entities (such as State of Hawai‘i programmatic governmental agency efficiency measures).

“Scenario” means a range of possible futures reflecting possible energy resources, including, but not limited to, energy efficiency programs, renewable energy resources mix, delivery infrastructure requirements, energy-related policy choices, and risks facing a utility and its customers. ~~is a distinctive set of possible, plausible circumstances that would have a major effect on resource planning decisions.~~ Scenarios would be explicitly identified in the planning process in order to (a) provide an appropriate breadth to the scope of plausible analysis assumptions utilizing stakeholder participation, (b) frame meaningful planning objectives and measures of attainment and (c) test the “robustness” of candidate strategies with respect to a range of possible future circumstances. Scenarios could be formulated based on possible circumstances including those that are outside the control of the utilities and Commission and those that based on major “game changing” resource strategies (such as an inter-island cable system).

~~“Societal cost” means the total direct and indirect costs to society as a whole. Society includes the utility and, in a demand side management program, the participants.~~

~~“Societal cost-benefit assessment” means an assessment of the costs and benefits to society as a whole.~~

“Strategy” is a set of perspective resources and actions that are designed to meet the planning objectives. ~~A strategy is similar to what the HECO Companies have referred to as “candidate plans” in the IRP applications filed under the existing IRP Framework except that a strategy could also and may, among other things, include appropriate contingency planning, parallel planning measures to address future uncertainties. In the planning process each strategy would be assessed with respect to the various identified scenarios. An action plan would be identified to implement a preferred strategy and/or to maintain flexibility to implement more than one possible preferred strategy or one or more contingency strategies.~~



“Supply-side programs” means programs designed to supply power either to the utility grid or to a particular customer or entity, including, but not limited to, renewable energy, DG/CHP, and independent power producers.

~~“Total resource cost” means the total cost of a demand-side management program, including both the utility and participants’ costs.~~

~~“Utility” or “Public Utility” means an organization, whether publicly- or privately-owned, that is subject to regulation by the Public Utilities Commission of the State of Hawaii, that maintains the infrastructure for a public service (often also providing a service using that infrastructure). In the case of electrical service, the organization can be privately owned, such as Hawaiian Electric Company, Inc., the Hawaii Electric Light Company, Inc., the Maui Electric Company, Ltd., or publicly owned such as a municipal, or member-owned such as a cooperative, as in the case for such as Kauai Island Utility Cooperative. Other public utilities can provide natural gas (or as in the case of The Gas Company, propane and synthetic gas), water or sewage services.~~

~~“Utility cost” means the cost to the utility (including ratepayers), excluding costs incurred by participants in a demand-side management program.~~

~~“Utility cost-benefit assessment” means an assessment of the costs and benefits to the utility.~~

## **II. INTRODUCTION**

### **A. Goal of Integrated Resource Planning**

The goal of integrated resource planning is to employ a comprehensive and flexible planning process to develop and implement integrated resource plans which shall govern utility acquisition and utilization of all capital projects, purchased power, and demand-side management toward achieving and exceeding Clean Energy Objectives (“CE Objectives”) in an efficient, economical, and prudent manner that promotes Hawai‘i as a leader in the adoption and use of clean energy and facilitates Hawai‘i’s swift transition to a clean energy future.

### **B. Governing Principles (Statements of Policy)**

1. The development of integrated resource plans are the responsibility of each utility, in consultation with advisory group(s), non-utility stakeholders, and the public, and with the oversight and approval of the commission.
2. Integrated resource plans shall comport with federal, state, and county environmental, health, and safety laws and formally adopted state and county plans to the extent they are applicable.

3. Integrated resource plans shall be developed upon consideration and analyses of the short- and long-term costs, benefits, and risks associated with all appropriate and feasible supply-side and demand-side distributed generation and energy management resources
4. Integrated resource plans shall consider technological advances in the utility's transmission and distribution infrastructure plans such as advanced data acquisition and system controls (i.e., smart grid), energy storage, or changes in the utility's operating procedure.
5. Integrated resource plans shall consider the plans' impact on utility customers, environmental and cultural resources, the local economy, and the broader society.
6. Integrated resource plans shall take into consideration a utility's financial integrity, size, and physical capability.
7. Integrated resource planning shall be an open public process which shall maximize public involvement to enable mutual collaboration, communication, and feedback between the utility and non-utility stakeholders and the public and create broad-based awareness and support for achieving and exceeding CE Objectives.
8. A utility is entitled to recover only those integrated resource planning costs that are determined to be just and reasonable by the Public Utilities Commission of the State of Hawaii after an appropriate filing and hearing. ~~A utility and intervenors are entitled to recover all appropriate and reasonable integrated resource planning costs as approved by the Commission.~~
9. Integrated resource plans shall prioritize and encourage the increased use of distributed generation over centralized fossil-based generation.
10. Integrated resource plans shall seek to achieve and exceed CE Objectives, including the economic and environmental benefits associated with achievement of energy independence.
11. Integrated resource plans shall take into consideration the need to prevent or minimize power outages during and after disaster situations.
12. Integrated resource planning shall be based upon and incorporate to the extent reasonable the successful elements of the planning process utilized ~~by utilities and Independent System Operators working in conjunction with various stakeholders~~ in other jurisdictions.
13. Integrated resource plans shall prioritize resource acquisition and integration such that demand-side management programs and renewable

energy resources are first optimized before consideration is given to fossil-based resources.

14. No customer or third party shall be required to disclose confidential information during the collection of data for integrated resource planning-related proposals or programs.
15. Integrated resource plans shall address all technical barriers to achieving CE Objectives.
- ~~15-16.~~ Integrated resource plans shall encourage to the maximum extent possible the increased use of distributed generation, and combined heat and power ("CHP") projects in particular, in meeting future energy needs.

#### **C. Utility's Responsibility**

1. Each utility is responsible for developing and maintaining a plan or plans for meeting the energy needs of its customers.
2. The utility shall prepare and submit to the commission for commission review at the time or times specified by the commission the utility's integrated resource plan and action plan.
3. The utility shall maintain at all times a current and up-to-date resource analysis capability and respond to requests for information and analysis by the commission, any advisory group(s), and any party to a particular docket, as is appropriate under the circumstances.
4. The utility shall maintain and make publicly available at all times a current and up-to-date action plan.
5. The utility shall maintain and make publically available at all times current and up-to-date information regarding its avoided costs, renewable energy and capacity wholesale purchase tariffs and all current, pending or planned resource acquisition tariffs, programs, requests for proposals or bid offerings.

#### **D. Commission's Responsibility**

1. The commission's responsibility, in general, is to review the utility's plans and planning assumptions and determine whether they represent a reasonable set of assumptions for evaluating capital projects, resource acquisition programs, contracts or other utility commitments for meeting the energy needs of the utility's customers and is in the public interest and consistent with the goals and objectives of integrated resource planning.
2. The commission will review the utility's integrated resource plan, its program implementation schedule, and its evaluations, and generally

monitor the utility's implementation of its plan. Upon review, the commission may approve, reject, approve in part and reject in part or require modifications of the utility's integrated resource plan, action plan and planning assumptions.

3. The commission will require the provision of planning information and analysis by the utility as necessary at any time to provide context and information in any regulatory matters before the commission. The commission will decide at the time it requires any information or analysis the extent to which the integrated resource plan advisory group(s), parties and/or participants will be allowed to provide responses to the commissions request for information and/or comments regarding the utility's response(s).
4. The commission staff ~~(or one or more commissioners)~~ may ~~preside over or participate in part of occasional~~ advisory group meetings to ~~invite and, among other things,~~ obtain comments and positions of advisory group members.
5. The commission may, as it finds necessary, issue orders to provide relief (i.e., require consideration by the utility of certain circumstances, resources or scenarios) recommended by advisory group members, parties or participants.

#### **E. Consumer Advocate's Responsibility**

1. The director of commerce and consume affairs, as the consumer advocate and through the division of consumer advocacy, has the statutory responsibility to represent, protect, and advance the interest of consumers of utility services. The consumer advocate, therefore, has the duty to ensure that the utility's integrated resource plan promotes the interest of utility consumers.
2. The consumer advocate shall be a party to each utility's integrated resource planning docket and a member of any and all advisory groups established by the utility in the development of its integrated resource plan. The consumer advocate shall also participate in all public hearings and other sessions held in furtherance of the utility's efforts in integrated resource planning.

#### **F. Public Benefit Fee Administrator's Responsibility**

1. \_\_\_\_\_ The Public Benefit Fee Administrator (PBFA) is a contractor to the Commission and has a unique role as a provider of ratepayer funded energy services as defined in HRS ch. 269, Part VII and Commission Docket No. 2007-0323.

- 1-2. The PBFA shall be a part to each utility's integrated resource planning dockets and a member of any advisory committee established by the Commission in such dockets. The PBFA shall also participate in public hearings concerning integrated resource planning.
- 2-3. ~~The energy efficiency programs managed by the PBFA serve purposes that are closely integrated with the services provided by the energy utilities. Together, the programs managed by the PBFA and the services provided by the energy utilities need to meet energy consumer needs reliably and economically.~~ The PBFA programs serve as important components of utility plans, can serve as alternatives to or means to defer utility capital expenditures and are relied upon by the utilities to meet energy service requirements. It is therefore necessary that utility planning include consideration of the optimal targeting, design objectives and role of the PBFA energy efficiency programs in the context of utility plans.
- 3-4. The specific design of the energy efficiency programs managed by the PBFA, however, must reside with the PBFA to the extent that the PBFA is responsible for the efficacy of these programs and to the extent specified by contract or otherwise determined by the commission.
- 4-5. The PBFA should be a participant in the utility planning process and should have a unique role as the primary implementer of a fundamental component of Hawai'i's energy utility resource strategy. The PBFA should provide information to the utility planning process regarding the nature of existing, planned and potentially feasible programs, the expected cost and impacts of these programs as well as any other relevant issues or uncertainties. The utility planning process should evaluate the existing, planned and potentially feasible energy efficiency programs to determine which are the most cost-effective in terms of avoiding short run and long run utility costs, the extent to which these programs can meet utility and State planning objectives and how these programs might best be targeted geographically or temporally.
- 5-6. The PBFA and the utility shall cooperate interactively to determine an optimal portfolio of programs to be implemented by the PBFA.

### **III. THE PLANNING CONTEXT**

#### **A. Major Steps**

There are four major steps in the integrated resource planning process: planning, programming, implementation, and evaluation.

1. Planning is that process in which the utility's future energy requirements ~~needs~~ are identified; the utility's objectives are formulated; measures by which effectiveness in attaining objectives are specified; the alternatives by which the objectives may be

attained are identified; the full cost, effectiveness, and benefit implications of each alternative are determined; the assumptions, risks, and uncertainties are clarified; the cost, effectiveness, and benefit tradeoffs of the alternatives are made; the resource options are examined, screened and evaluated; and resource and program choices are subjected to sensitivity analyses. The product of this process is the utility's integrated resource plan. The planning horizon for utility integrated resource plans is 20 years.

2. Programming is that process by which the utility's long-range resource program plans are scheduled for implementation over a five to ten-year period. In this process, a determination is made as to the order in which the selected program options are to be implemented; the phases or steps in which each program is to be implemented; the expected target group and the annual size of the target group or annual level of penetration of demand-side management programs; the expected annual supply-side capacity additions; the expected annual levels of effectiveness in achieving integrated resource planning objectives; and the annual expenditures, by cost categories and cost elements, required to be made by the utility to support implementation of the programs. The result of this process is an action plan. The action plan represents an implementation strategy and timetable for program implementation. The action plan shall address utility actions for a five to ten year period.
3. Implementation is that process by which the resource program options to be implemented are acquired and instituted in accordance with the utility's program implementation schedule.
4. Evaluation is that process by which the results of the resource program options are measured in light of the utility's objectives. In this process the actual costs, effectiveness, and benefits of the resource options and the attainment of the utility's objectives are measured against those that were projected in the planning and programming stages of the planning cycle.

## **B. The Planning Cycle**

~~There are four main components of the integrated resource planning cycle:~~

1. Three Year Major Review. A major review of the utility twenty-year integrated resource plan, planning assumptions and action plan(s) each three years:
    - a. The commission will initiate each three year planning cycle by establishing one or more dockets to administer the planning process for each utility with a three-year cycle for major reviews.
- (1) —The commission shall establish one or more advisory groups for each utility and/or for several energy utilities

collectively. Such group or groups shall, among other duties,

~~(2)(1) The commission may establish one or more technical advisory groups or technical advisory committees within advisory groups to assist in monitoring, evaluating and interpreting the assumptions, modeling and analysis utilized in the preparation of the utility integrated resource plans and action plans.~~

- b. At the beginning of each three-year IRP review cycle the commission may (independently or after a public meeting) specify:
  - (1) questions and issues that the specific round of IRP analysis and the resulting plan should address, and
  - (2) any specific objectives or scenarios that should be considered in that specific round of IRP analysis.
- c. The three year planning cycle shall establish and review:
  - (1) planning assumptions (projected demand, fuel prices, resource characteristics), including identification of possible future scenarios to be considered in developing plans and action plans.
  - (2) analytical methods (integration modeling, rate impact analyses, etc), including methods to consider identified scenarios.
  - (3) a base long range (20 year) resource plan.
  - (4) a five year (or longer) action plan.

2. Ongoing Analysis and Planning Capability.

- a. Each utility would maintain a modeling and analysis capability that is current and up to date at all times.
  - (1) On an ongoing basis, the utility shall update all important planning assumptions, forecasts, demand estimates, etc. as frequently as circumstances require and configure the planning process analytical models accordingly.
  - (2) The utility shall notify the commission and shall notify and solicit comments to be forwarded to the commission from all planning docket parties and advisory group(s) whenever

planning assumptions are updated. Such updates shall be posted on the utility's website.

- b. As needed for any regulatory purposes, the commission will request prompt and timely analysis from the utilities based on current, up-to-date planning assumptions.
  - (1) In the context of any docket, the commission may issue information requests to the utility requesting information and/or analysis based on current planning assumptions and modeling analysis capability.
  - (2) Planning docket parties and utility advisory group members shall be notified of any requests for information or analysis and documents shall be made available via the Commission's Document Management System.
  - (3) The commission may, at its discretion, issue any information requests and/or responses by the utility to the planning docket parties or participants, and the advisory group(s) ~~or any technical advisory group(s) or committee(s)~~ for review and comment.

3. Current Action Plan.

- a. Each utility shall maintain a current, up-to-date action plan at all times.
  - (1) To the extent that circumstances or changes in planning assumptions substantially affect the merits of the base resource plan or action plan, the Commission, parties and advisory group shall be notified.
  - (2) Action plans shall be updated in accordance with supporting analytical methods and with the informed advice of the parties and advisory group.
- b. Modified (updated) action plans would be prospective pending any explicit approval of any action plan components by the commission but would always be kept up-to-date and publicly accessible to inform all stakeholders of current planning assumptions presumed by the utility.
  - (1) Actions proposed by the utility in any docket before the commission would be reviewed by the commission in light of the current, most recently approved action plan.



- (2) If proposed actions are not consistent with the most recently approved action plan, the proposed actions must be consistent with the current updated action plan which should be reviewed by the commission prior to or concurrently with the commission's review of the proposed action with the informed advice of the planning docket parties and advisory group(s).
- c. Any approval of modifications to the utility integrated resource plan or action ~~plan in a docket that considers actions not consistent with the approved utility integrated resource plan or approved action plan~~ shall be made with the informed advice of the planning docket parties and participants in the advisory group(s). The utility shall specify and, after opportunity for comment by the planning docket parties and ~~participants in the advisory group(s)~~, the commission shall determine:
  - (1) The extent to which any proposed actions are not consistent with the approved integrated resource plan and approved action plan.
  - (2) The extent to which any proposed actions would affect any other aspects of the approved integrated resource plan and approved action plan.
  - (3) Whether the proposed actions and resulting associated changes in the integrated resource plan and action plan are reasonable and in the public interest.
4. Evaluations.
  - a. As required by the commission each utility shall provide evaluations of the implementation of integrated resource plans, action plans and the attainment of planning objectives and statutory objectives.

### **C. The Docket**

1. Each planning cycle for a utility will commence with the issuance of an order by the commission opening a docket for integrated resource planning. The utility will post a copy of such order on its website.
2. The docket will be maintained throughout the planning cycle for the filing of documents, the resolution of procedural disputes and other purposes related to the utility's integrated resource plan.
3. Within 30 days after the opening of the docket or, if petitions to intervene are filed within twenty days of the opening docket, by a date specified by

the commission, the utility and parties shall prepare, and file with the commission a proposed procedural order and procedural schedule for the development of the utility integrated resource plan and action plan.

- a. The procedural schedule shall identify several stages of the planning process and specify dates, at each stage, for filings with the commission by the utility and parties and allowing filing of comments by participants in the advisory group(s). Stages shall include:
  - (1) Identification and determination of scenarios and planning assumptions.
  - (2) Identification and determination of analytical methods and models including methods to evaluate identified scenarios.
  - (3) Identification of candidate resource strategies to be evaluated.
  - (4) Proposed integrated resource plan(s) and action plan(s).
4. The utility shall complete its integrated resource plan and program implementation schedule within one year of the commencement of the planning cycle or according to a schedule approved by the commission.
5. Any party or advisory group member could petition the Commission at any time requesting the Commission's attention to review or take action regarding changes to planning assumptions or changes in action plans.
  - a. Parties or participants may request relief from the Commission by motion or other applicable means.
  - b. Parties, participants or advisory group members may petition the commission for action regarding changes to planning assumptions, long range plans or action plans by an informally by letter. Any such requests will conform to the requirements in the commission's existing rules regarding informal complaints.

#### **D. Submissions to the Commission**

1. In each three year general review, the utility shall submit its integrated resource plan as follows.
  - a. The utility shall include in its integrated resource plan a full and detailed description of (1) the generation, major distribution, and transmission needs identified; (2) the forecasts made, including supply- and demand-side distributed generation forecasts; (3) the assumptions underlying the forecasts; (4) the objectives to be

attained by the plan; (5) the measures by which achievement of the objectives is to be assessed; (6) the resource options or mix of options included in the plan; (7) the assumptions and the basis of the assumptions underlying the plan; (8) the risks and uncertainties associated with the plan; (9) the revenue requirements on a present value basis and on an annual basis; (10) the expected impact of the plan on demand; (11) the expected achievement of objectives; (12) the potential impact of the plan on rates and consumer bills, taking into account not only the costs of the plan but any offsetting benefits as well~~including any potential rate and billing impacts due to possible rate equalization measures between utility service territories, and consumer energy use~~; (13) the plan's external costs and benefits; and (14) the relative sensitivity of the plan to changes in assumptions and other conditions. The items enumerated should, where appropriate, be described for the plan as a whole and for each of the resources or mix of resources included in the plan.

- b. The utility shall file with the integrated resource plan a full and detailed description of the analysis or analyses upon which the plan is based. The utility shall fully describe, among other things, (1) the data (and the source of the data) upon which needs were identified and forecasts made; (2) the methodologies used in forecasting; (3) the various objectives and measures of assessing attainment of objectives that were considered, but rejected, and the reasons or rejecting any objective or measure; (4) the resource options that were identified, but screened out and not considered and the reasons for the rejection of any resource option; (5) the assumptions and the basis of the assumptions, the risks and uncertainties, the costs, effectiveness, and benefits (including external costs and benefits) and the impacts on demand, rates, consumer bills, and consumer energy uses associated with each resource option or mix of options that was considered; (6) the comparisons and the cost, effectiveness, and benefit tradeoffs and optimization made of the options and mixes of options; (7) the models used in the comparisons, tradeoffs, and optimization; (8) the criteria used in any ranking of options and mixes of options; and (9) the sensitivity analyses conducted for the options and mixes of options.
- c. The utility shall also file with the integrated resource plan a description of all alternate plans that the utility developed, the ranking it accorded the various plans, the criteria used in such ranking, and a full and detailed explanation of the analysis upon which it decided its preferred integrated resource plan.
- d. The submissions should be simply and clearly written and, to the extent possible, in non-technical language. Charts graphs, and

other visual devices may be utilized to aid in understanding its plan and the analyses made by the utility. The utility shall provide an executive summary of the plan and of the analyses and appropriately index its submissions.

~~d.e.~~ The utility shall post on its website a list of dockets that pertain to the CESP, any new CESP or CESP-related filings on the same date that the filings are made with the Commission, and copies of any CESP or CESP-related analyses performed by the utility

2. In each three year general review, the utility shall submit its action plan as follows and post that plan on its website.

a. The utility shall include in the action plan by year: the programs or phases of programs to be implemented in the year; the expected level of achievement of objectives; the expected size of the target group or level of penetration of any demand-side management program; the expected supply-side capacity addition; the expenditures, by cost categories and cost elements, required to be made by the utility to support implementation of each program or phase of a program.

b. The utility shall file with its action plan a full and detailed description of the analysis upon which the schedule is based. The utility shall fully describe, among other things:

(1) The steps required to realize and implement the supply-side and demand-side resource programs included in the schedule.

(2) How the target groups were selected and how program penetration for demand-side management programs and the expected levels of effectiveness in achieving integrated resource planning objectives were derived.

(3) The expected annual effects of program implementation on the utility and its system, the ratepayers, the environment, public health and safety, cultural interests, the state economy, and society in general.

~~c.~~ The program implementation schedule shall also be accompanied by the utility's projections of ~~posals on costs and revenue loss recovery and incentives~~, as appropriate, as well as any offsetting benefits.

~~d.~~ The utility shall include its projection of the energy and demand savings resulting from its demand response programs and any pilot DSM programs authorized by the Public Utilities Commission of

the State of Hawaii and the expenditures required to be made to support the implementation of these programs.

- e. The utility shall include the expected supply-side capacity additions, the proposed procurement method for the supply-side additions (including the use of exemption or waiver from Competitive Bidding), and the cost required to be made by the utility to support the implementation of the supply-side resource options as well as an estimate of any benefits that offset such costs.
- f. The utility shall include the expected transmission system additions and the estimated cost required to be made by the utility to support the implementation of the transmission additions as well as an estimate of any benefits that offset such costs.
- g. The utility shall include identification of smart grid improvements and upgrades to the utility system and the estimated cost required to be made by the utility to support the implementation of any smart grid improvements as well as an estimate of any benefits that offset such costs.
- h. The plan shall also be accompanied by the utility's estimated costs and proposals for cost recovery, as appropriate, as well as an estimate of any benefits that offset such costs.
- e.i. Recovery of any CESP or CESP-related costs shall be as authorized by the Public Utilities Commission of the State of Hawaii after an appropriate filing and hearing, and upon a finding that such costs were reasonably and prudently incurred. The Commission shall determine the appropriate mechanism for the recovery of any reasonably and prudently incurred costs after an appropriate filing and hearing.
- ~~d.j.~~ The utility shall include the expected transmission system additions and the estimated cost required to be made by the utility to support the implementation of the transmission additions.
- e.k. The utility shall include the identification of the expected major distribution system additions.
- l. The utility shall include identification of smart grid improvements and upgrades to the utility system and the estimated cost required to be made by the utility to support the implementation of any smart grid improvements.
- ~~f.m.~~ Rate designs for DG/CHP and renewable energy projects shall, to the extent possible, encourage the implementation of these

projects, taking into account both the costs and benefits of such projects to a utility's system.

3. The utility shall regularly update its action plan as circumstances require so as to always maintain a current and up-to-date action plan.
  - a. The utility shall make, on an ongoing basis, an assessment of the continuing validity of the forecasts and assumptions upon which its integrated resource plan and its action plan were fashioned.
  - b. The utility shall also include for each program or phase of program included in the action plan current information as follows:
    - (1) The expenditures anticipated to be made and the expenditures actually made for each program or action identified in the action plan.
    - (2) The target group size or level of penetration anticipated for each demand-side management program and the size or level actually realized.
    - (3) The effects of program implementation anticipated and the effects actually experienced.
4. The utility may at any time, as a result of a change in conditions, circumstances, or assumptions, revise or amend its integrated resource plan or its action plan. Modified (updated) action plans would be prospective pending any explicit approval of any action plan components by the commission but would always be kept up-to-date and publicly accessible to inform all stakeholders of current planning assumptions presumed by the utility.
5. The integrated resource plan and action plan shall serve as the context and analytical basis for the regulation of all utility expenditure for capital projects, purchased power, and demand-side management programs. Notwithstanding approval of an integrated resource plan: (a) an expenditure for any capital project in excess of \$2,500,000 shall be submitted to the commission for review as provided in paragraph 2.3.g.2 of General Order No.7; and (b) no obligation under any purchased power contract shall be undertaken and no expenditure for any specific demand-side management or demand response program included in an integrated resource plan or action plan shall be made without prior commission approval. All power purchases from qualifying facilities and independent power producers shall be subject to statute and commission rules.
6. ~~The commission, upon a showing that a utility has an ownership structure in which there is no substantial difference in economic interests between~~

~~its owners and customers, may waive or exempt that utility from any or all provisions of this framework, as appropriate.~~

## **E. Public Participation**

To maximize public participation in each utility's integrated resource planning process, opportunities for such participation shall be provided through advisory groups to the utility, public hearings, and interventions in formal proceedings before the commission.

### **1. Advisory groups**

~~a. The commission shall organize a group or groups of representatives of public and private entities to provide independent review and input to each utility and the commission in the integrated resource planning process. Different advisory groups or committees within an advisory group may be formed for different issues related to the planning process, as appropriate.~~

a. The utility shall have the initial responsibility to form the advisory committee. Any entity with a legitimate interest in the proceeding that desires to participate in the CESP process as an advisory committee member shall be automatically granted the right to participate in the advisory committee. If more than one entity representing a particular interest with respect to a particular utility become members of an advisory committee, those entities shall select one entity to be their designated representative. The designated representative shall represent the joint interests in any advisory group meetings. An independent facilitator appointed by the commission shall chair each advisory group. The costs of the independent facilitator shall be paid for by the utility, subject to recovery as part of its costs of integrated resource planning.

Note: While the Marriotts are not opposed to the use of a neutral facilitator in concept, they also recognize that the "devil is in the details" – a number of issues would be raised if a neutral facilitator is to be utilized, including how such a facilitator would be selected and reimbursed.

b. The commission, by its staff or one or more commissioners, may participate in advisory group meetings to receive input from advisory group members.

c. The membership of each advisory group shall be independent of any utility and be able to provide significant perspective or useful expertise in the development of the utility's integrated resource plan. ~~The commission shall establish the membership of each advisory group as follows:~~

- (1) Governmental members of each advisory group shall include, at minimum, the Consumer Advocate or the Consumer Advocate's designee, the director of the State of Hawai'i Department of Business, Economic Development & Tourism or the director's designee, and the mayor of the county in which the utility in question provides service or conducts utility business or the mayor's designee.
- (2) Nongovernmental members shall include representatives of environmental, cultural, business, consumer, and community interests, and individuals with useful expertise in each county in which the utility provides service or conducts utility business.
- (3) Parties admitted into the integrated resource planning docket shall be allowed to participate as advisory group members, as the commission deems appropriate.
- (4) Each advisory group shall be representative of as broad a spectrum of interests as possible, ~~subject to the limitation that the interests represented should not be so numerous as to make deliberations as a group unwieldy.~~ The advisory committees shall include representatives from each of the customer classes of the utility, county and state agencies, conservation groups, commercial entities that provide equipment, and other entities with a legitimate interest. Any entity desiring to participate in an advisory committee shall notify the utility in writing and shall be included as a member of the advisory committee. In the event that more than one entity representing the same or a substantially similar interest becomes a member of an advisory committee, one such advisory committee member shall be selected by the other members to participate on behalf of that interest.

- b. Each advisory group shall hold meetings during key phases of a utility's integrated resource planning process, with a minimum of quarterly meetings and more frequent meetings to the extent meaningful and practical.
- c. If a utility is considering the use of an energy resource located in another utility's service territory, then that utility shall confer with the advisory group representing the service territory of the energy resource under consideration.
- d. Each utility shall provide all data reasonably necessary for an advisory group to participate in that utility's integrated resource



planning process, subject to the need to protect the confidentiality of customer-specific and proprietary information, provided that such customer-specific and proprietary information shall not be withheld where there are mechanisms to protect confidentiality.

- e. An advisory group participating in a utility's integrated resource planning process, or qualified person(s) representing the advisory group, shall be permitted, upon execution of any appropriate licensing agreement, to inspect and evaluate that utility's modeling, including but not limited to reviewing the inputs the utility has used for the modeling.
- f. Upon request from an advisory group, the Consumer Advocate, the State of Hawai'i Department of Business, Economic Development & Tourism, or a county represented in the advisory group, the utility shall use its modeling tools to run alternative scenarios based on alternate assumptions. At the utility's request, the commission may limit requests that are unduly repetitious or burdensome.
- g. The Public Benefits Fee Administrator shall provide all data reasonably necessary for an advisory group to participate in developing and evaluating forecasts of energy efficiency programs.
- h. The use by the advisory groups of the collaborative process is encouraged to arrive at a consensus regarding recommendations or findings on issues. If consensus is not possible, recommendations or findings of an advisory group may be made by the vote of not less than the majority of the entire membership of that advisory group.
- i. If a utility does not follow a recommendation or finding of an advisory group, it must provide to the advisory group and file with the commission a detailed justification why the recommendation or finding should not be adopted. The advisory group and/or its members shall have an opportunity to respond to the filing.
- j. At any point during the integrated resource planning process, an advisory group or one or more of its members may request interim relief from the commission to resolve a significant dispute with the utility in the implementation of the planning process. Such a request will be handled as an informal complaint under the commission's rules.
- k. ~~All reasonable out-of-pocket costs incurred by the members of the advisory groups (other than governmental agencies) participating in a utility's integrated resource planning process shall be paid for~~

~~by that utility, subject to recovery as part of that utility's cost of integrated resource planning.~~

2. Public input

- a. Each utility is encouraged to conduct public meetings or provide public forums at the various, discrete phases of the planning process for the purpose of securing public input.
- b. Prior to filing a request for approval of an integrated resource plan, each utility shall provide an opportunity for public review and comment on the proposed plan during a period of not less than sixty (60) days. During each such public comment period, the utility shall hold at least one public hearing on each island that would be affected by the proposed integrated resource plan at which the public will have the chance to ask questions, seek clarification, raise concerns, and make comments and suggestions.
- c. Each utility preparing an integrated resource plan shall assess and consider comments received during the public review and comment period and shall respond by one or more of the means listed below, stating its response in the request for approval filed with the commission:
  - (1) Modify the plan;
  - (2) Develop and evaluate alternatives not previously given serious consideration by the utility;
  - (3) Supplement, improve, or modify its analysis;
  - (4) Make factual corrections; and/or
  - (5) Explain why the comments do not warrant further response, citing the sources, authorities, or reasons that support the utility's position and, if appropriate, indicate those circumstances that would trigger utility reappraisal or further response.
- d. Upon the filing of requests for approval of an integrated resource plan, the commission may, and it shall where required by statute, conduct public hearings for the purpose of securing additional public input on the utility's proposal. The commission may also conduct such informal public meetings as it deems advisable.

### 3. Intervention

- a. Upon the filing of its integrated resource plan, the utility shall cause to be published in a newspaper of general circulation in the State a notice informing the general public that the utility has filed its proposed integrated resource plan with the commission for the commission's approval. The commission and the utility shall also post such public notice online on their respective websites.
- b. To encourage public awareness of the filing of a proposed utility plan, a copy of the proposed plan and the supporting analysis shall be available for public review at the commission's office and at the office of the commission's representative in the county serviced by the utility. The commission and the utility shall provide electronic copies of these documents online on their respective websites. Each utility shall note the availability of the documents for public review at these locations in its published notice. The utility shall make copies of the executive summary of the plan and the analysis available to the general public at no cost, except the cost of duplication.
- c. Applications to intervene or to participate without intervention in any proceeding in which a utility seeks commission approval of its integrated resource plan are subject to the rules prescribed in part IV of the commission's General Order No.1 (Practice and Procedure before the Public Utilities Commission) or as established by Commission Order; ~~except that such applications may be filed with the commission not later than 20 days after the publication by the utility of a notice informing the general public of the filing of the utility's application for commission approval of its integrated resource plan, notwithstanding the opening of the docket before such publication.~~
- d. A person's status as an intervenor or participant shall continue through the life of the docket, unless the person voluntarily withdraws or is dismissed as an intervenor or participant by the commission for cause.

### 4. Intervenor funding

- a. Upon the issuance of the commission's final order on a utility's integrated resource plan or any amendment to the plan, the commission may grant an intervenor or participant (other than a governmental agency, a for-profit entity, and an association of for-profit entities) recovery of all or part of the intervenor's or participant's direct out-of-pocket costs reasonably and necessarily incurred in intervention or participation. Any recovery and the

amount of such recovery are in the sole discretion of the commission. All intervenors and participants who plan to seek intervenor funding must file a budget with the Commission within 30 days after intervention is granted, setting forth:

- (1) The estimated cost of intervention or participation;
  - (2) The level of funding expected to be funded from other sources; and
  - a.(3) The net amount expected to be recovered from utility ratepayers.
- b. To be eligible for such recovery:
- (1) The intervenor or participant must show a need for financial assistance;
  - ~~(1)~~(2) The intervenor or participant must demonstrate that it has made meaningful efforts to secure funding elsewhere, without success;
  - ~~(2)~~(3) The intervenor or participant must maintain accurate and meaningful books of account on the expenditures incurred; and
  - ~~(3)~~(4) The commission must find that the intervenor or participant made a substantial contribution in assisting the commission in arriving at its decision.
- c. The intervenor's or participant's books of account are subject to audit, and the commission may impose other requirements in any specific case.
- d. Such recovery may be provided upon the application of the intervenor or participant within 30 days after the issuance of the commission's final order (or the entry of a settlement between the parties), together with justification and documented proof of the costs incurred.
- e. ~~The commission may provide for recovery via periodic installments during the course of a proceeding. To be eligible for this option, the intervenor or participant shall file a notice of intent to seek recovery and an estimated budget within 30 days after being granted intervention or participation. The intervenor or participant may thereafter make periodic applications for recovery during the proceeding, within the final deadline specified above.~~

~~The intervenor or participant may request to revise the estimated budget as appropriate.~~

~~fe.~~ The costs of intervenor funding shall be paid for by the utility, subject to recovery as part of its costs of integrated resource planning as approved by the Public Utilities Commission of the State of Hawaii after filing and hearing.

#### **IV. PLANNING CONSIDERATIONS**

##### **A. Scenarios**

Each utility, in consultation with advisory group(s), shall develop scenarios to guide integrated resource planning, including but not limited to possible assumptions, regarding future demand, the availability, characteristics and costs of resource options, and other principal factors that would affect the determination of prudent integrated resource plans. Scenarios may be based on circumstances outside the control of the utilities and commission (e.g., major increases in oil prices) or within their control (e.g., a major resource strategy). A sufficient number and range of scenarios should be developed to (1) incorporate a broad range of perspectives and input from non-utility stakeholders and the public; (2) provide meaningful breadth to the scope of analysis and assumptions; (3) frame meaningful planning objectives and measures of attainment; and (4) test the robustness of candidate strategies with respect to a range of possible future circumstances and risks.

##### **B. Forecasts**

Forecasts shall be conducted with respect to each scenario to inform the development of each utility's integrated resource plan.

###### **1. Demand**

- a. The utility, in consultation with advisory group(s), shall develop a range of forecasts of the amount of energy demand over the planning horizon.
- b. Each forecast shall identify the significant demand and use determinants; describe the data, the sources of the data, the assumptions (including assumptions about fuel prices, energy prices, economic conditions, demographics, population growth, technological improvements, and end-use), and the analysis upon which the forecast is based; indicate the relative sensitivity of the forecast result to changes in assumptions and varying conditions; and describe the procedures, methodologies, and models used in the forecast, together with the rationale underlying the use of such procedures, methodologies, and models.

- c. Among the data to be considered are historical data on energy sales, peak demand, system load factor, system peaks, and such other data of sufficient duration to provide a reasonable basis for the utility's estimates of future demand.
  - d. As feasible and appropriate, the forecast shall be by the system as a whole and by customer classes.
2. Demand-Side Management
- a. Energy Efficiency: The PBFA shall work with each utility and advisory group(s) to develop a range of forecasts of the potential development of energy efficiency programs over the planning horizon.
  - b. Load management: Each utility shall work with the PBFA and advisory group(s) to develop a range of forecasts of the potential development of demand response and load management programs, including rate and fee design measures, over the planning horizon.
3. Distributed Generation

~~Each utility shall work with advisory group(s) to develop a range of forecasts of the amount of distributed generation development and penetration via NEM, FIT, and other means. The utility shall develop a forecast of the amount of distributed generation that could be installed by utility customers, third parties, or the utility over the planning horizon. The distributed generation resources considered in the forecast shall include, but not be limited to, the following:~~

- a. Biofueled and fossil fueled generating resources;
- b. Combined heat and power resources;
- c. Photovoltaic resources;
- d. Small wind and hydro resources; and
- e. Other small renewable energy resources as defined by HRS §269-91 of the State's RPS.

Any of these resources to be provided by the utilities must be consistent with Commission rules, regulations, orders, rates, and tariffs regarding same. Likewise, any of these resources to be provided by the utilities will be subject to the same rules, regulations, orders, rates, and tariffs as other projects undertaken by customers and third parties.

The distributed generation forecast shall include reexamination of the following:

a. NEM limits in accordance with Commission Docket No. 2006-0084; and

b. FIT provisions in accordance with Commisison Docket No. 2008-0273.

**C. Objectives**

1. The ultimate objective of each utility's integrated resource plan is to achieve and exceed Clean Energy Objectives as set forth in applicable statutes, regulations, and orders in meeting the energy needs of the utility's customers over the ensuing 20 years.
2. Each utility, in consultation with advisory group(s), shall identify a meaningful set of planning objectives for its integrated resource plan and shall identify more specific, shorter-term objectives for its action plans to facilitate achievement the objectives of the integrated resource plan and provide benchmarks to measure progress.
3. The commission may specify objectives for the integrated resource plan or action plans.
4. An advisory group may recommend objectives for the integrated resource plan or action plans to the utility or the commission.

**D. Effectiveness Measures**

1. The integrated resource plan and action plans shall specify the measures by which attainment of the objective or objectives is to be determined.
2. Where direct, quantifiable measures are not available, proxy measures may be used.

**E. Resource Options**

1. In the development of its integrated resource plan, the utility shall consider all feasible supply-side and demand-side resource options appropriate to Hawai'i and available within the years encompassed by the integrated resource planning horizon to meet the stated objectives.
2. The utility shall include among the options the supply-side and demand-side resources or mixes of options currently in use, promoted, planned, or programmed for implementation, as well as potential or planned retirements of existing resources in favor of clean energy resources.

Supply-side and demand-side resource options include those resources that are or may be supplied by persons other than the utility.

3. The utility shall initially identify all possible supply-side and demand-side resource options. The utility may, upon review and consultation with advisory group(s), screen out those options that are clearly infeasible. The utility, in consultation with advisory group(s), may establish criteria for screening out clearly infeasible options.

#### **F. Data Collection**

1. For each feasible resource option, the utility shall determine its life cycle costs and benefits and its potential level of achievement of objectives. The utility shall identify the option's total costs and benefits--the costs to the utility and its ratepayers and the indirect, including external (spillover) costs and benefits. External costs and benefits include the cost and benefit impact on the environment, people's lifestyle and culture, and the State's economy.
2. To the extent helpful in analysis, the utility shall distinguish between fixed costs and variable costs and between sunk costs and incremental costs; and the utility shall identify any opportunity costs.
3. The costs and benefits shall, to the extent possible and feasible, be (a) quantified and (b) expressed in dollar terms. When it is neither possible nor feasible to quantify any cost or benefit, such cost or benefit shall be qualitatively measured. The methodology used in quantifying or in qualitatively stating costs and benefits shall be detailed.

#### **G. Assumptions; Risks; Uncertainties**

1. The utility shall identify the assumptions underlying any resource option or the cost or benefit of any option or any analysis performed.
2. The utility shall also identify the risks and uncertainties associated with each resource option.
3. The utility shall further identify any technological limitations, infrastructural constraints, legal and governmental policy requirements, and other constraints that impact on any option or the utility's analysis.

#### **H. Models**

1. The utility may utilize one or more generally accepted planning models or methodologies in comparing resource options and otherwise in analyzing the relative values of the various options or combinations of options.



2. Each model or methodology used must be fully described, documented, and explained in terms that a layperson can understand.

#### **I. Analyses**

1. The utility shall conduct analyses to compare and weigh the various options and various alternative mixes of options. Alternative mixes of options include variously integrated supply-side and demand-side management programs.
2. The utility shall conduct such analyses from varying perspectives, including, as appropriate, the utility cost-benefit perspective, the ratepayer impact perspective, the participant impact perspective, the total resource cost perspective, and the societal cost-benefit perspective.
3. The utility shall analyze all options on a consistent and comparable basis. It shall give the costs, effectiveness, and benefits of demand-side management options consideration equal to that given to the costs, effectiveness, and benefits of supply-side options. The utility may use any reasonable and appropriate means to assure that such equal consideration is given.
4. The utility shall compare the options on the present value basis. For this purpose, the utility shall discount the estimated annual costs (and benefits, as appropriate) at an appropriate rate. The utility shall fully explain the rationale for its choice of the discount rate.
5. The utility shall prioritize the various options and mixes of options based on the goal and principles set forth in Part II.A & B, supra, and upon such reasonable additional criteria as it may establish in consultation with advisory group(s).

#### **J. Resource Optimization**

1. The utility, in consultation with advisory group(s), shall develop a number of alternative strategies to meet the planning objectives. Strategies may be based on any of various themes, including addressing specific scenarios or featuring specific resource options. A sufficient spectrum of strategies should be developed and analyzed to consider the scope of the identified plausible resource options and planning scenarios.
2. Based on its analyses, the utility, in consultation with advisory group(s), shall select those resource options or strategies that best achieve the planning objectives considered across the range of scenarios.
  - a. The options or strategies shall be selected in a fashion as to achieve an integration of supply-side and demand-side options.

- b. The selection of options or strategies constitutes the utility's integrated resource plan.
- 3. For each strategy, the utility shall identify the revenue requirements on a present value and annual basis. It shall note the risks and uncertainties and describe the strategy's impact on rates, customer energy use, customer bills, and the utility system. It shall also describe the strategy's impact on external elements--the environment, people's lifestyle and culture, the State's economy, and society in general.
- 4. The utility shall rank the various strategies, based on such criteria as it may establish in consultation with advisory group(s). The utility shall designate one or some combination of these strategies as its preferred plan and submit to the commission the preferred plan as its proposed integrated resource plan, along with the alternative plans. It is recognized that the proposed integrated resource plan may not be the least expensive strategy and may include resource options and/or contingency measures to reasonably attain the planning objectives in light of uncertainty regarding the planning scenarios.

**K. Sensitivity Analysis**

The utility shall subject its selection of resource options to sensitivity analysis by altering assumptions and other parameters.

## **CERTIFICATE OF SERVICE**

I hereby certify that on this day I have served a copy of the foregoing "Preliminary Statement Of Position And Preliminary Proposed Modifications To The Proposed CESP Framework And Certificate Of Service Of JW Marriott Ihilani Resort & Spa, Waikoloa Marriott Beach Resort & Spa, Maui Ocean Club, Wailea Marriott And Essex House Condominium Corporation, on behalf of Kauai Marriott Resort & Beach Club," by e-mailing one electronic copy of same to each of the following (unless otherwise indicated):

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Dated: Honolulu, Hawaii, December 21, 2009.

A handwritten signature in black ink, appearing to read "Thomas C. Gorak", written over a horizontal line.

Thomas C. Gorak  
Hawaii Bar No. 0007673

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December 21, 2009

Chairman and Commissioners  
Public Utilities Commission  
of the State of Hawaii  
465 South King Street  
First Floor  
Honolulu, HI 96813

FILED  
2009 DEC 21 A 10:23  
PUBLIC UTILITIES  
COMMISSION

Re: **Docket No. 2009-0108, In the Matter of, Public Utilities  
Commission, Instituting a Proceeding to Investigate  
Proposed Amendments To the Framework for  
Integrated Resource Planning.**

Dear Chairman and Commissioners:

Enclosed for filing on this date in the above-captioned docket are the original and four copies of the "Final Statement Of Position And Certificate Of Service Of JW Marriott Ihilani Resort & Spa, Waikoloa Marriott Beach Resort & Spa, Maui Ocean Club, Wailea Marriott And Marriott Hotel Services, Inc., on behalf of Kauai Marriott Resort & Beach Club." Kindly receipt stamp the additional copies and return them to the messenger.

Should you have any questions, please do not hesitate to contact me at (808) 377-3408. Thank you for your attention to this matter

Sincerely,



Thomas C. Gorak

Enclosures